TFSA Growth Investors: This “Hidden Gem” Growth Stock Is to Die for

Description

The TSX isn’t just full of financially unhealthy energy and mining stocks. There are stocks of wonderful businesses out there for Canadians who are willing to do a bit of digging. Such small-cap gems can provide sustainable above-average returns for a long-term focused TFSA portfolio. So, if you’re looking for a way to outsmart Mr. Market, there is one stock that I think has to be in your portfolio. And, best of all, it’s a name you’ll want to hold regardless of the state of the economy!

The gem that many investors may never have heard of is **Park Lawn** (TSX:PLC), one of the few high-growth players in the fragmented death-care industry. The company has an experienced management team who’s using their talents and expertise to drive long-term value through the acquisition of smaller cemeteries, funeral homes, and other death-related assets.

While the graveyard scene may not seem like a meaningful source of growth, Park Lawn’s growth-by-acquisition model actually has very promising long-term potential. Like many other industry consolidators, Park Lawn is poised to realize massive synergies through the acquisition of smaller, fragmented firms and assets. Management has already perfected its organic operations, and it’s now re-implementing its efficiency-driving efforts inorganically to produce a “1 + 1 = 3” scenario.

Moreover, the growth ceiling is remarkably high. The funeral service and cemetery industries are extremely fragmented, and a lot of the time these small establishments aren’t running as efficiently as they could with the help of an exceptional steward. At the time of writing, no other publicly traded funeral firm is growing at the same magnitude as Park Lawn with its high double-digit sales growth numbers that I believe will be sustainable over the next few years, as management puts its foot on the growth pedal.

The company’s balance sheet is remarkably healthy, and there’s not much debt at all. I think the company may be underleveraged and could afford to raise a bit more debt to amplify growth and ROE numbers moving forward. The industry is so fragmented that at any given point in time, there’s likely an opportunity to conduct M&A activities to bolster growth.

I like Park Lawn’s prudent approach to growth, and as management gains more expertise, I wouldn’t at all be surprised to see the company lever up and scoop up some bargains within its industry.

Foolish takeaway

Park Lawn is a terrific business that nobody's talking about. You're getting a high-growth name at a very modest valuation. The stock trades at a 23.9 forward P/E, a 1.6 P/B, which I think way too low given the company's growth profile and the capabilities of management.

Simply put, Park Lawn offers a unique opportunity that few other names out there can match. The defensive characteristics of the death-care industry and explosive growth from an M&A business model are tied together in this one gem of a small-cap stock that I think will begin to attract the mainstream retail investor in five years from now, after the market cap grows to a level such that the stock warrants the attention of analysts on the Street.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:PLC (Park Lawn Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/27
Date Created
2018/09/28
Author
joefrenette