



## Is it Time to Sell This Overvalued Dividend Stock?

### Description

Let's face it: if you're looking for investing ideas for beginners, one of the last things that might pop into your head would be funerary and memorial services. And yet when you stop to think about it, how could a niche investment sector like this be anything but recession proof? Along with holding healthcare and pharma stocks, buying shares in companies involved with end-of-life and mobility industries can prove to be a lucrative and defensive investment strategy.

Below you will find a dividend-paying superstar stock that resurfaces now and then on investment forums. It's a ticker sometimes to be found in guides on how to invest in the stock market for the first time and has made its way into many a list of stocks to buy now for retirement. TFSA investors should also take note of this downturn-resistant ticker when watching shares on the TSX index to hold for the long run, though the data suggests that it's not currently a buy.

#### **Park Lawn** ([TSX:PLC](#))

With a market cap of \$556 million placing this [TSX index favourite](#) squarely in the small-cap category, a 20.9% returns for shareholders in the last year makes Park Lawn a solid-looking stock to buy and hold. A one-year past earnings loss of 53.7% has weighed down a five-year average past earnings growth to 20.5%. Though its PEG ratio is twice growth, low comparative debt of 12.9% of net worth means that this is a healthy horse to back, while inside buying has been fairly steady over the last 12 months, indicating confidence.

I sometimes use a three-factor screening tool with a 33-point weighting per factor, giving a total score out of 100, which generates a fairly basic buy, hold, or sell signal. With each subsection scored out of 11 for ease of calculation, value, quality, and momentum are taken into account to ascertain how deep a position once should take on any given stock.

With a P/E of 120.7 times earnings, Park Lawn is laughably poor value right now. A mediocre P/B of 1.5 times book and dull dividend yield of 1.9% do little to make up for it, resulting in a section score of 10.

## How is this stock looking on quality and momentum?

Lists of stocks to invest in don't usually lead with past-year ROEs of 1% as headlining data. A most-recent EPS of \$0.20 does little to improve the quality section of my three-factor stock-screening system, though an exciting 59.6% expected annual growth in earnings does lift the section score here to 11.

Park Lawn gained around 0.56% in the last five days, and its beta of 0.38 indicates low volatility, meaning that this could be a [steady-rolling ticker](#) for the risk-averse once it's showing more attractive valuations. Its share price is overvalued by about 10% compared to its future cash flow value, which isn't enough to catch a momentum (or value) investor's eye. A section score of 10 combines with the previous sections to give an overall read of 31, which translates as a pretty solid sell signal.

## The bottom line

While investing in Canada famously involves buying up stocks in miners, banks, utility companies, natural resources and (for some reason) railways, niche areas such as body disposal can pay dividends if you know where to look. If memorial and funerary services do it for you, Park Lawn is probably the best such stock to buy for passive income, though value investors should take note of that high P/E, while the general trader should potentially sell if they're holding.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## TICKERS GLOBAL

1. TSX:PLC (Park Lawn Corporation)

## PARTNER-FEEDS

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

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