



3 Hidden Gems Bay Street's Brightest Are Buying

Description

As individual investors, we don't have nearly the time and resources available as our institutional counterparts when searching for potential opportunities in the market.

To narrow down what stocks we should consider, it is often productive to examine what successful investors currently have their sights on.

To that end, let's take a look at several securities that appear among the top holdings of three outstanding small-/mid-cap mutual funds with 10-year annualized returns in excess of 13%.

The funds from which we will derive inspiration are the Mawer New Canada Fund, the BMO Enterprise Fund, and the HSBC Small Cap Growth Fund.

NFI Group ([TSX:NFI](#))

Formerly New Flyer Industries, NFI is a market leading bus manufacturer with aftermarket parts and service operations in Canada and the United States.

With a total order backlog of over 11,000 units and more than 75,000 units in service as of September 30, NFI's business is on a strong growth trajectory.

Speaking of growth, [NFI has achieved stellar numbers](#) — delivering compound annual sales growth in excess of 20% since 2012. Likewise, EBITDA has increased at an impressive clip, with average growth of roughly 40% per year in a five-year time frame.

The recent pullback in NFI's share price has created a buying opportunity, as the stock now trades about a dollar above its 52-week low at a price-to-earnings multiple of close to 10 and at a price-to-book ratio of a little more than two.

Income seekers: quarterly dividends of \$0.375, increased by approximately 15% in June, make for a yield in the neighbourhood of 4%.

Stella-Jones ([TSX:SJ](#))

Nearly 70% of Stella-Jones's sales are derived from railway ties and utility poles, two core businesses that have each grown nearly 500% since 2007.

An appealing element of the company's main products is the [constant demand](#); ties and poles are necessary for both the development of new infrastructure and the replacement of that which is aging.

Other operations in residential lumber, industrial products, and logs and lumber offer diversification to its offerings and have been new growth drivers for the company.

While the aforementioned sales numbers are encouraging, Stella-Jones's 13 uninterrupted years of dividend increases has meant that the company has generously shared its success with its shareholders.

Increased by a little under 10% in March, the distribution now sits at \$0.12, paid quarterly — good for a yield of slightly less than 1.2%. If history is an indicator, then shareholders can look forward to another bump in the payout come March 2019.

In terms of value, Stella-Jones trades at a price-to-earnings multiple of about 17 and a price-to-book ratio of just over two. Further, the company's shares currently trade just a hair above their 52-week low.

Boyd Group Income Fund ([TSX:BYD.UN](#))

This owner and operator of collision repair and auto glass shops is the only publicly traded company in its industry in North America.

With over 500 locations in Canada and the United States, Boyd's size allows it to benefit from "Direct Repair Programs," whereby the company's services are preferred and trusted by major insurers. Roughly 90% of Boyd's revenue is derived directly from insurers covering the cost of auto repairs.

Through acquisitions, Boyd is engaging in the consolidation of the US\$38 billion North American auto collision market. In 2017 alone, the company added over 100 locations — seizing upon a fragmented market and using its extensive supply chain to drive down operating expenses.

Achieving a five-year EBITDA compound annual growth rate of over 35%, Boyd's growth has been explosive. The company's share price has also been on a tear, rising nearly 300% in the same period.

Trading at a price-to-earnings multiple of around 30 and a price-to-book ratio of more than four, Boyd would be pricey if its results weren't so impressive.

Shareholders also enjoy a slowly growing monthly dividend of \$0.044, which equates to a yield of roughly 0.5%.

Conclusion

All three of the stocks discussed above have been great performers, and continuous tailwinds should drive them to produce great results for both individual and institutional investors alike.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:NFI (NFI Group)
2. TSX:SJ (Stella-Jones Inc.)

PARTNER-FEEDS

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

Category

1. Investing
2. Stocks for Beginners

Date

2025/08/14

Date Created

2018/11/17

Author

jwatkinsstrand

default watermark

default watermark