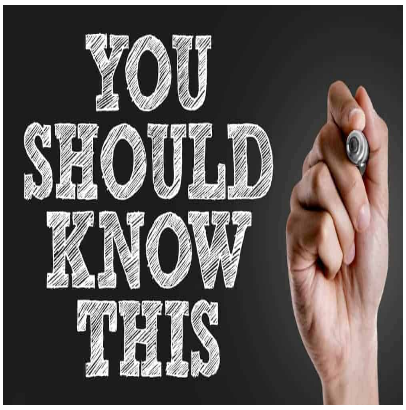

The Best TSX Index Forever Stock That Main Street's Never Heard of

Description

Park Lawn (TSX:PLC) is quite possibly the best Canadian mid-cap stock that most investors have never heard of. The death care consolidator is growing at a rapid rate, and although you won't hear the name blared in the mainstream financial media anytime soon, I believe in a few years it'll be hard to ignore the stock with all its compelling traits that set it apart from most other businesses out there.

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To put it simply, Park Lawn is a gem that's buried beneath the dirt. Although death care, funerals, burial services, and cremation aren't topics that we as humans like to discuss, they do make for ridiculously profitable albeit morbid businesses. So, without further ado, here are several reasons why Park Lawn may be worthy of your investment dollars.

Proven, low-risk M&A growth model

The North American death care industry is extremely fragmented, leaving Park Lawn with an abundance of opportunities to make acquisitions within the space. Park Lawn's management team has a terrific track record of producing value for its shareholders through synergies, and as the acquisitions continue happening, Park Lawn will continue to soar in price.

For the fourth quarter, Park Lawn's newly opened New Jersey properties helped propel the growth numbers by a considerable amount. Revenues came in at $50.6 million, up a whopping 95% year over year, and adjusted EBITDA jumped to $11.3 million, up 102% on a year-over-year basis.

These incredible numbers caused Park Lawn stock to pop 7% in a single trading session, and as the company continues bolstering its impressive portfolio of death care assets, one can only expect Park Lawn to keep chugging along as one of the only rapid growers in the industry.

Low debt and strong balance sheet

Despite pulling the trigger on several acquisitions in the past, Park Lawn has kept its debt low — ridiculously low. It's quite remarkable that the company has been able to sustain its rate of growth with minimal leverage, and as I pointed out in a prior piece, the company could have the capacity to grow at an even quicker rate as soon as management has the confidence to lever up its balance sheet a bit.

Low debt is great, but not having enough debt could dampen the company's full growth potential. As the company continues to grow in size along with management's expertise, I expect ROEs to prop up in conjunction with the additional leverage the company will take on once it's time to put the foot on the gas.

Recession-proof nature of the industry

Deaths are going to happen, and it doesn't matter how well the economy is doing. As morbid as this sounds, the death rate may actually increase during times of recession, and while most businesses flop under such circumstances, it's going to be business as usual for Park Lawn.

Generational secular tailwinds

Finally, Park Lawn is positioned to benefit from multi-decade demographic trends. Baby Boomers are ageing, and with the demand for Park Lawn's services expected to continue to soar, one can only expect that Park Lawn will be able to enjoy a further boost to its already impressive margins.

Foolish takeaway

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Park Lawn is the epitome of a wonderful business. It's recession-proof, well run, and will continue to ride on a significant secular tailwind.

With a pristine balance sheet and industry-leading talents ready to consolidate the fragmented death industry, I see Park Lawn's organic and inorganic top line soaring in conjunction with its margins over the next decade, resulting in returns that are to die for!

Stay hungry. Stay Foolish.

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