



Growth Investors: This Stock Could Easily Turn \$10,000 Into \$100,000

Description

Finding solid growth stocks trading at a reasonable price is something easier said than done.

There are plenty of growth stocks out there, of course, but most have one of two fatal flaws. Firstly, the market often doesn't wake up to a growth stock's potential until it's almost finished. Investors miss out on the big growth years because nobody has ever heard of the stock.

Then there's valuation. Most growth stocks are expensive based on every popular metric, ranging from price-to-sales ratio to the good ol' standby, price-to-earnings. It's hard for value investors to make the leap from buying cheap stocks to something that's so expensive, even if the latter offers seemingly limitless potential.

I'd like to profile a stock today that offers the best of both worlds, great growth potential for the future combined with a downright reasonable valuation today. Plus this name comes with a compelling story that just can't be beat.

Let's take a closer look.

Enter Knight Therapeutics

To introduce you to the **Knight Therapeutics Inc.** ([TSX:GUD](#)) story, first I have to say a few words about the company's CEO, Jonathan Goodman. Goodman is well regarded in the biotech world after he lead Paladin Labs, one of the most successful Canadian pharmaceutical companies ever, to a 100-fold increase in its share price before the company was taken over by **Endo International** in 2014. Endo left Goodman with a couple of small assets, which he used as the foundation of Knight.

Goodman's story is even more remarkable than what it appears at first glance. He had to give up the CEO role at Paladin in 2011 after he suffered a nearly fatal bike crash. The accident caused Goodman some pretty severe health issues, including some permanent brain damage. He has recovered somewhat, but admits he'll never quite be the same. Still, as he acknowledged in a 2017 interview, "I realized I didn't have to be that smart to make money, and I could still do it."

Knight's business plan is similar to what Paladin did back in the day. The company acquires the Canadian rights for drugs many international companies figure aren't worth their time to market in Canada, often for a great price. Going through the various Health Canada steps to get a drug approved is no easy task, and once a medicine is deemed to be safe, a company still has to deal with 10 separate provincial health care systems. It's much easier for a company to sell the rights to smaller drugs to a company like Knight.

Knight investors are patiently waiting for Goodman to make a home run acquisition, but instead, the CEO is taking a more cautious approach, using the company's cash pile to make a series of small acquisitions and strategic loans to other biotech firms. Knight is beginning to position itself to be a quasi-biotech hedge fund, including investments in publicly-traded pharma stocks.

A huge cash pile

Investors should be salivating over Knight's massive cash pile — capital just waiting to be put to work in attractive opportunities.

As of December 31, the company was sitting on \$787 million worth of cash, short-term investments, and marketable securities. Meanwhile, Knight has a market cap of just \$1.1 billion.

On the one hand, a stock like this shouldn't trade at a huge premium to the cash it has on hand. There's always the risk Goodman makes an ill-advised deal with the majority of the cash, but I view that as unlikely. Goodman has quietly been putting capital to work in small deals, patiently waiting for an opportunity to make a big splash. You don't sit on a big cash pile for years to impulsively squander it on the first big deal to come along.

The bottom line

If you're looking for a stock with some crazy growth potential, Knight Therapeutics is it. There's no guarantee Jonathan Goodman can pull it off, of course, but I like his chances. He knows the market and has proven that he has the ability to grow shareholder money. It's quite possible that Knight could be the next ten-bagger in your portfolio.

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nelsonpsmith

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