



Value Investors: 1 Dividend Stock to Buy and Hold Forever

Description

Terravest ([TSX:TVK](#)) is a Canadian company engaged in the consolidation of manufacturing businesses in North America. The company's current industry focus includes home-heating products, propane, anhydrous ammonia and natural gas liquids transport vehicles and storage vessels, energy processing equipment, and fiberglass storage tanks.

Current management has targeted boring industries with little competition for deals and that fit well with Terravest's existing businesses. Terravest has a [excellent record](#) of acquiring businesses at low price multiples, and the company has a long runway for value-added acquisitions in the future. The company trades at just eight times free cash flow, despite terrific growth prospects and disciplined management with aligned interests.

Even at a reasonable multiple of 12 times free cash flow, the stock should trade at approximately 50% higher than today's trading price. Terravest is expected to be a compounding machine over the long term. Terravest has limited analyst coverage and does not participate in quarterly conference calls, hence the stock is not widely followed.

Management is more interested in creating shareholder wealth than building investor relationships. The value potential in Terravest is not recognized by the market, and the company's energy business is currently distressed due to a industry-wide cyclical downturn.

In the past, Terravest has created [tremendous shareholder value](#) through smart acquisitions, value-added investments, and opportunistic share buybacks. The company has a significant ability to make inexpensive and large acquisitions.

Over the past six years, Terravest has purchased Pro-Par Group, NWP Industries, Signature Truck Systems, Vilco Group, Fischer Tanks, and Maxfield Group and paid an average price of 3.4 times enterprise value (EV) to pre-tax free cash flow ratio.

The opportunistic nature of these deals indicate that TerraVest is an extremely disciplined buyer of businesses and has repeatedly been able to execute wonderful deals for shareholders.

In 2012, the company placed a tender offer to buy back Terravest shares at \$2.75 per share. The company managed to buy back 36% of the company at an 80% discount to the market price and a substantial discount to intrinsic value.

In 2018, the company conducted two tender offers and repurchased 10% of shares outstanding at \$10.40 per share. This was a phenomenal result with an average purchase price of six times estimated free cash flow.

Clarke, a reputable Canadian investment company with an excellent record of intrinsic value growth, holds 30% of Terravest's outstanding shares. Terravest is Clarke's largest holding, accounting for 35% of portfolio investments. Terravest's CEO, Dustin Haw, has most of his net worth in the Terravest's shares and is only 35 years old. The company's owners can, thus, benefit from his exceptional capital allocation for years to come.

In conclusion, Terravest is an excellent opportunity at the current market price. The company can deploy significant amounts of capital at fabulous returns several years into the future yet trades at a depressed price. Management is aligned with the interests of shareholders and has proven itself on numerous occasions.

The stock is expected to grow earnings substantially in the years to come, and investors will soon recognize Terravest as a compounding machine, leading to multiple expansion and stock price appreciation. Expect exciting things from Terravest in the future!

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Author

nikhilwaterloo

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