



## Revealed: This Little-Known Growth Stock Could Turn \$10,000 Into \$100,000

### Description

Many investors swear by one simple investing methodology.

This strategy might seem foreign to you, especially if you're a valuation-based investor. It doesn't concern itself with P/E ratios, book values, or anything that traditional value investors tend to look for. In fact, I'd be willing to argue that valuation doesn't matter in the slightest for this investing strategy.

It's all about growth, but it's not quite that simple. We're looking for a stock that can deliver consistent growth for years to come — a company that has seemingly limitless potential. It should also be able to put capital to work at attractive return rates, which will inevitably help the compounding process.

These are the kinds of stocks that can really make a difference in your portfolio. We're talking an investment that can [turn \\$10,000 into \\$100,000](#), all in the course of a decade ... or less.

Let's take a look at one such growth stock — a company with a fantastic runway that looks to be just getting started.

### The only certainties in life...

As they say, the only things you can count on are death and taxes. There's no way to invest in the latter, and while the former is an unfortunate part of life, it's also a solid investment opportunity.

**Park Lawn** ([TSX:PLC](#)) is Canada's largest publicly traded funeral, cremation, and cemetery company and one of the fastest-growing companies in the country overall. The company's current assets include 103 different cemeteries, 95 funeral homes, and 38 crematoria. The funeral home business in North America is incredibly fragmented, with the vast majority of owners controlling no more than four to five locations.

The company should also get a boost from demographics over the next couple decades. There's a giant glut of baby boomers in North America —folks who keep getting older. This is an affluent generation with plenty of disposable income to spend on lavish funerals, too.

Park Lawn has some ambitious growth targets, with the company projecting it'll hit \$100 million in quarterly EBITDA by 2022. Currently, the company posts a little more than \$50 million in quarterly EBITDA. It expects earnings to be buoyed by further acquisitions, organic growth, and better profit margins. The stock is expensive today but is significantly less so if we value it on those projected growth rates.

In 2018, the firm spent more than \$200 million in acquisitions. Last year, it spent almost that much again. And it has already announced one acquisition so far in 2020, which was 13 funeral home locations in Nashville. Despite competing with some larger competitors for acquisitions, the company still targets a 20% internal rate of return for all deals.

It also has potential to increase margins — something it has shown investors it can do in the past. In 2016-17, its EBITDA margins were under 20%. These days, EBITDA margins have improved to the 23% range. Park Lawn's larger competitors, meanwhile, post EBITDA margins closer to 30%. Look for increased profitability, as management makes the current portfolio more profitable.

All this translates into impressive returns. Since January 1, 2013, Park Lawn shares have delivered a total return of approximately 330%. If the company can keep up its ambitious growth plans, returns over the next few years could be similar.

## Get paid to wait

Park Lawn also pays a [monthly dividend](#) of \$0.038 per share, which translates into a 1.5% yield. As you can imagine with a growth stock, the payout ratio is quite low — at least from an adjusted earnings perspective.

In fact, Park Lawn has paid a dividend since 2011. Investors shouldn't expect much in dividend growth going forward, however, as excess cash is put towards new acquisitions.

## The bottom line

Park Lawn is one of Canada's best growth stocks. It looks poised to continue expanding through acquisitions, as it consolidates a fragmented industry, which should translate into some impressive returns. I wouldn't be surprised if this excellent stock ended up a huge long-term winner — the kind of company that can turn a \$10,000 initial investment into something worth \$100,000 or more.

### CATEGORY

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1. Editor's Choice

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