



1 Lesser-Known Industry Leader to Buy and Forget

Description

Some of the best investments are made in companies that seemingly operate in a boring industry, but because their services are needed for other industries to operate, the business become crucial — and therefore highly stable.

These are some of the best business that are selling crucial services to other business.

In the services industry it's very difficult to provide any service that's completely proprietary, so mastering the service it provides is one of the most important things a company can do to strengthen its position.

It must also use its scale and reach to drive down costs and create a competitive advantage for itself in order to continue to grow sales and profitability.

One company that's a [lesser-known](#) business but runs a highly relied upon service is **K-Bro Linen Inc (TSX:KBL)**.

K-Bro Linen is an industry leader that services the hospitality and healthcare industry providing laundry and linen services.

It operates in 16 locations in Canada and the United Kingdom, making it the largest provider of laundry and linen services in Canada and one of the largest in the U.K.

The business provides services for a number of businesses, with over 250,000 kilograms of laundry processed and delivered every single day.

K-Bro is capable of providing a number of services to hospitality companies such as hotels, airlines and any business that requires outsourcing of its laundry.

Because it's one of the largest companies in Canada, it has the best economies of scale, offering clients the cheapest alternative to completing this necessary service.

Plus, K-Bro's customer friendly operations are flexible and work with each client, helping to maximize sales as more services are bundled together.

It works the same way in the hospital; K-Bro provides services such as pick-up and delivery, laundry of surgical sheets, employee uniforms as well as personal clothing services.

Its quality work and convenience allows businesses and hospitals to operate more smoothly, ensuring the retainment of K-Bro's services.

In addition, the service it provides is crucial for the operations of hospitals, especially in terms of cleanliness. The necessity of its services is just another reason why K-Bro is such an attractive investment.

Further, as K-Bro signs long-term contracts with a number of its clients, much of its revenue is recurring, severely reducing its businesses operating risk. For example, more than half of its Canadian revenue comes from contracts that run at least through 2023.

K-Bro's strong management team and well-run business have set it up to have a strong and proven growth strategy, capable of taking on more market share in this current environment.

It also helps that K-Bro is vertically integrated, which improves its economies of scale as well as helping to lower its costs, which in turn helps to grow its market share.

In total, in the Canadian market, K-bro has about 28% of the market share, with 33% of the market share being handled by companies own in-house operations.

This means that K-bro actually has a 42% market share of third-party laundry and linen processing services — a strong position in an important industry.

Financially speaking, company is in a strong position, with debt to equity of just 0.6 times earnings. K-bro has actually been growing its debt, but it's grown it slowly and with discipline, allowing it to grow its business at a faster rate.

The company is currently paying a \$0.10 monthly dividend totalling \$1.20 a year, yielding roughly 2.8% for investors.

K-Bro is a well-run business with a dominant position in an unsung industry that, at just \$450 million has plenty of room for growth, making it a quality growth stock you can buy and forget about.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:KBL (K-Bro Linen Inc.)

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