



People Corp. (TSXV:PEO): A Recession-Resilient Stock to Own

Description

People Corp. ([TSXV:PEO](#)) stock has corrected about 30% from its February high. It has simply retreated to its long-term normal cash flow multiple of about 22.4. As long as the company continues to execute as it has, now is [a good entry point for the small-cap stock](#).

People Corp: The business

People Corp. is a leading provider of creative group benefits, group retirement, and human resource consulting services. Specifically, it delivers employee group benefits consulting, third-party benefits administration services, group retirement services, health solutions and human resource consulting services to help companies recruit, retain and reward employees.

The company has more than 1,000 employees with 40 offices across 10 provinces in Canada. It has about \$2.2 billion in premiums, \$8.5 billion in pension assets under administration, and serves about 15,000 organizations across a wide range of industries.

People Corp.'s profitability

People Corp. has increased its revenue and EBITDA every year since 2009. The company's three-year revenue growth rate was close to 27%, while its operating income increased at a rate of 34% per year in the period. In comparison, its EBITDA (a cash flow proxy) climbed 24% per year.

Its fiscal 2019 revenue rose 24.5% against 2018 and included organic revenue growth of 8.9%. Its adjusted EBITDA climbed 31%.

In 2019, People Corp.'s revenue was \$162.5 million and adjusted EBITDA was \$36.1 million.

People Corp. has yet to turn a consistent profit in terms of net income as it continues to expand its business with targeted acquisitions.

People Corp.'s balance sheet

At the end of fiscal 2019, People Corp. had cash and cash equivalents of \$12.5 million. Its debt-to-equity-ratio has improved to 1.52 from 2.34 against three years ago. As well, its debt-to-asset ratio has improved to 0.60 from 0.70.

As of the last reported quarter, People Corp. had long-term debt of \$83.1 million versus cash and cash equivalents of \$22.7 million.

People Corp.'s growth potential

People Corp. grows organically and synergistically by making strategic acquisitions. Since 2012, it has made about 19 acquisitions and the stock was a nearly 20-bagger!

The company's total enterprise value is only about \$556 million, while it estimates the group benefits industry has a market of more than \$40 billion, so there's lots of room to grow both organically and via acquisitions.

Additionally, the company sees benefit costs increasing by about 5% per year. Its business is therefore resilient to recessions. It's a good business to own in a market downturn and will grow when the economy is booming.

The Foolish bottom line

As a company that offers consulting, benefit, and human resource solutions across Canada, small-cap People Corp. has lots of room to grow. The market crash has dragged down the stock to an attractive valuation for the double-digit growth potential it offers.

People Corp. has [a decent balance sheet](#) with reasonable debt ratios. Coupled with a recession-resilient business, the company can withstand the current economic downturn.

Moreover, the company has a track record of growing both its revenue and cash flow — a trend that will likely continue in the long run. An investment today in People Corp. stock can lead to annualized returns of about 20% per year over the next five years.

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