



\$1,000 Is All You Need to Buy This Top TSX Stock

Description

A few months ago, as the market initially sold off, investors were quick to find undervalued **TSX** stocks and buy them up as quickly as possible. This is a little surprising, considering how much fear there was.

Markets sold off at an unprecedented pace, losing up to 10% in a single day on multiple occasions. Volatility went through the roof, and it seemed like there was no bottom in sight.

Then, as quickly as the market crash began, investors stepped in. If you were a disciplined long-term investor who stepped in at the right time, you could have found yourself some serious deals.

Now, after a few weeks of [markets rallying](#), it may seem as though any stock worth buying has already been bought.

Top long-term businesses and other TSX stocks have all outperformed. Meanwhile, restaurant, travel, and retail stocks all remain well off their highs.

One stock that's remained well off its highs, even though it has an extremely robust business is **K-Bro Linen** ([TSX:KBL](#)).

Top TSX stock to buy today

K-Bro Linen provides laundry and linen services to several different industries. The company has been in business for more than 65 years and does more than 265,000 kilograms of laundry each day.

In healthcare, K-Bro offers numerous services. Some of the most essential services include employee uniforms, surgical linens, as well as delivery and exchange services to make everything as efficient as possible for the customer.

This business has seen a slight uptick in demand for its services recently, and the company is temporarily converting some of its facilities which have seen significantly lower hospitality demand. This will put the company in a position to handle any increase in healthcare services demanded in the

near term.

Currently, healthcare accounts for just over half of the business at roughly [55% of revenues](#). But the good news is, K-Bro has the flexibility to cut a lot of costs in the meantime.

In hospitality, the company serves hotels, airlines, passenger trains, and other hospitality businesses. There is no question this segment of its business is taking a major hit at the moment, but many of these industries should come back strong.

Furthermore, because it's diversified to so many different hospitality sub-industries, it reduces a lot of its counter-party risk. So, for example, if airlines don't come back as strong from this and take a few years to become popular again, it won't have a significant effect on K-Bro's business.

K-Bro's potential

We are only concerned with K-Bro's current operations to make sure the company can survive the current environment. Besides that, as a long-term investor, these short-term headwinds shouldn't matter. Instead, we should be focused on K-Bro's significant long-term growth potential.

Before the coronavirus, K-Bro was a solid TSX growth stock to buy for the long term. In 2019, it recorded both record revenue and record earnings before interest, taxes, depreciation, and amortization (EBITDA).

And what is promising was that many of its Canadian facilities are not at full utilization. This gives K-Bro plenty of room to grow without having to invest in new facilities.

High-value TSX stock

K-Bro is in a strong position to weather this current environment. Even with a likely 40% hit to its revenue while the environment lasts, it will have adequate cash flow and significant liquidity to remain robust.

And when things get back to normal, and K-Bro is earning to its potential again, the stock could skyrocket.

At roughly \$27, the TSX growth stock is a buy and hasn't been this cheap since 2012. And at current prices, it's trading at a trailing enterprise value-to-EBITDA ratio of just 9.2 times. That's compared to its five-year average of roughly 15 times.

Plus, its dividend yields more than 4.4% and paid out less than 50% of its distributable cash flow in 2019.

Bottom line

At most, K-Bro is going to lose half its revenue temporarily. But with the company's flexibility and ability to save costs in the short run, it should remain robust going forward.

Below \$30, the stock is a steal. So, even if you only have as little as \$1,000 to invest, I'd start today, because K-Bro is one of the top long-term TSX stocks to buy now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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