BUY ALERT: A Mid-Cap TSX Stock That's on Sale!

Description

You don't need to speculate to outperform in this kind of market. Mr. Market has been quite inefficient with his pricing of stocks lately thanks in part to the coronavirus crisis, which has made it tougher to gauge the intrinsic value of any given security. Many promising mid-cap stocks have been passed up on of late, and it's these such stocks that are more prone to drastic market mispricings.

Consider **Park Lawn** (TSX:PLC), a death-care company that's seen its shares take a beating amid the coronavirus market crash. The company has been affected by the COVID-19 pandemic, like most other businesses out there, but has shown resilience in the face of this crisis and may be worthy of a significant upside correction over the coming weeks and months, as investors return to the highly liquid growth company that's now under the leadership of a new CEO and COO.

Park Lawn's stellar liquidity position will help it weather the COVID-19 storm

Park Lawn has a stellar balance sheet, with a minimal amount of debt (0.4 debt-to-equity ratio). The company sports an impressive 1.84 quick ratio and a 2.2 current ratio, meaning the firm is extremely liquid, with more than enough financial flexibility to make it through this unprecedented crisis and weather the COVID-19-induced headwinds that made an appearance in the first quarter.

The COVID-19 pandemic has caused pre-need cemetery sales to slow down, while average revenue per funeral has gone down thanks to social-distancing practices that have significantly reduced funeral gathering sizes.

As the economy reopens over the coming weeks and months, I expect Park Lawn will witness a potentially abrupt rebound to its average revenue per funeral, as larger gatherings are gradually given the green light in select geographies.

For now, Park Lawn is effectively rolling with the punches. With many other death-care firms at risk of taking a hit, as industry pressures continue to weigh, Park Lawn may have an opportunity to put its deep pockets to work in another acquisition at a considerable discount amid this pandemic.

Park Lawn has grown at an impressive rate thanks to M&A in the past, and with management hinting at more M&A activity for the second half of this year, I wouldn't at all be surprised to see shares of the resilient company be back at all-time highs by year-end.

Resilience at its finest

Park Lawn's management noted that the COVID-19 pandemic has not caused as much disruption as it was expecting. While profitability margins have fallen under pressure, the company has done an otherwise incredible job of adapting to the new normal.

Once the pandemic passes, there will be a nasty recession that'll be left behind. Given the non-cyclical nature of the death-care industry, Park Lawn is in a spot to continue doing well, regardless of how severe the coronavirus recession will be.

Today, PLC stock trades at 1.2 times book and 2.6 times sales, which is a ridiculously low price to pay for a recession-resilient firm that hasn't seen its business decimated by the COVID-19 pandemic. If you're looking to play defence on the cheap, Park Lawn is nothing short of a must-buy at $23, as it looks to make a return to the $30 mark.

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