



1 Top TSX Stock to Buy in 2021

Description

The business objective of **FAX Capital** (TSX:FXC) is to maximize the company's [intrinsic value](#) over the long term by achieving superior investment performance commensurate with reasonable risk. The company invests in equity, debt, and hybrid securities of high-quality businesses with such investments tailored to the specific needs and opportunities of the portfolio company. The company's investment in a portfolio company ranges from a minority ownership position to a significant influence position, including control.

The company has a price-to-earnings ratio of 24.05, price-to-book ratio of 0.82, and market capitalization of \$158 million. The company has excellent performance metrics with an operating margin of 59.54% and a return on equity of 5.80%.

The company manages funds and other [special purpose vehicles](#), which raises third-party capital. FAX Capital invests in 10-15 high-quality, small-cap public and private businesses located in North America. It supports the growth and development of portfolio companies through active ownership, leveraging the company's industry experience, business contact network and financial strength.

Active ownership is an integral part of FAX Capital's investment strategy. The company provides support to portfolio companies by way of board representation, board observer rights, strategic, financial, governance and capital market support, and preparing the portfolio company for potential corporate transactions.

The company allows ample time for operational and strategic improvements to be implemented, and does not limit ownership to a specific timeframe. Actions taken by FAX Capital includes regular engagement with portfolio companies with the clear intention of influencing policies and practices, but may also extend to a wider range of engagement through different influence processes to support the growth and development of investee companies.

FAX Capital is very effective at taking a longer-term perspective toward the affairs of investee companies. The company takes a concentrated approach to portfolio construction and seeks to promote and encourage best-in-class governance practices. The company allocates 60% of managed

assets to public entities and the balance is allocated to private entities.

FAX Capital's investment selection process begins with a robust set of public and private companies. This universe of companies is then reduced into a shortlist of potential investments based on quantitative screens, fundamental analysis, and internal expertise, as well as through a network of trusted relationships.

Once shortlisted, FAX Capital's focus is on conducting fundamental research by spending the time necessary to thoroughly investigate a potential investment and gain a deep understanding of the company's operating environment. The company comprehensively analyzes financial results and has very disciplined investment criteria.

Each investment in a portfolio company is formally approved by a majority of the FAX Capital's internal investment committee. This committee looks at top- and bottom-line growth opportunities, both organic and inorganic, including the degree of visibility into this growth and the opportunity for re-investment of capital in support of growth opportunities.

FAX Capital's aversion to investing in unproven and speculative business models is likely to serve shareholders well over the long term. The company works in a hands-on and constructive manner in an effort to create sustainable long-term value.

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