Forget BlackBerry Stock: Buy This Hidden Gem on the TSX Instead!

Description

Lately, Reddit-pumped **BlackBerry** stock, **GameStop**, and **AMC Entertainment** have captured a lot of attention. Instead of having to guess whether they will rise or fall tomorrow, next week, or next month, investors can consider buying the following hidden gem on the **TSX** instead.

There's a stark difference between the hidden gem stock and the BB stock world of stocks. While BlackBerry stock, GME, and AMC trade at frothy valuations, **Trisura Group** (TSX:TSU) offers much more value for investors as a small-cap growth stock. The company has a recent market cap of about $962 million and an enterprise value of more than $1 billion.

The Trisura business

Trisura provides specialty insurance and operates in surety, risk solutions, corporate insurance, and reinsurance. It has three key regulated subsidiaries, including its Canadian and reinsurance businesses, which have been in business for about 15 years. Additionally, it has operations south of the border.

The company has a history of disciplined underwriting and investment returns, which lead to an overall profitable business. In particular, in Canada, it enjoyed a recent industry-leading return on equity of 20%.

As a relatively small insurance company, it has room to grow both organically and through acquisitions in Canada and the United States. Furthermore, Trisura maintains a healthy balance sheet with a debt-to-capital ratio of about 9.5% to support growth.

The TSX stock is still growing strong

In 2018 and 2019, Trisura reported double-digit revenue growth. The year 2020 is shaping up to be a good year for Trisura. (So far, it has reported Q1-Q3 2020 results and will report its Q4 and full-year 2020 financial results soon.)

In the last 12 months, the TSX growth stock increased revenues by almost 36% to $181 million. The gross margin was a solid 45.85% — a big jump from 35.91% in 2019. The EBITDA margin of 15.94% was also an improvement from 3.35%.

The adjusted earnings per share came in at $2.70, which implies a trailing-12-month price-to-earnings multiple (P/E) of 34.7. With such a high P/E, Trisura stock is priced for growth.

The hidden gem's stock strength

In June 2017, Trisura was spun off from **Brookfield Asset Management**. Since then, the growth stock has delivered amazing annualized returns of approximately 48% per year!

Currently, analysts anticipate the company can maintain an earnings-growth rate of about 30% per year over the next couple of years. If so, then, the stock is actually cheap.

Analysts have an average 12-month price target of $115.86 on Trisura stock, which represents near-term upside potential of +23% from $93.69 per share at writing.

The Foolish takeaway

Trisura's price appreciation may not be as exciting as BB stock, Gamestop, or AMC, but it is, in general, much healthier. When the stock moves up, it's backed by strong fundamentals.

In fact, it's probably a good idea to consider Trisura as a part of a diversified small-cap portfolio aimed for exceptional growth over the next five years.

Brookfield Asset Management will be spinning off its reinsurance business in the first half of this year. Trisura's previous ties with Brookfield Asset Management make it a potential acquisition target down the road for the Brookfield reinsurance company as it scales.

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