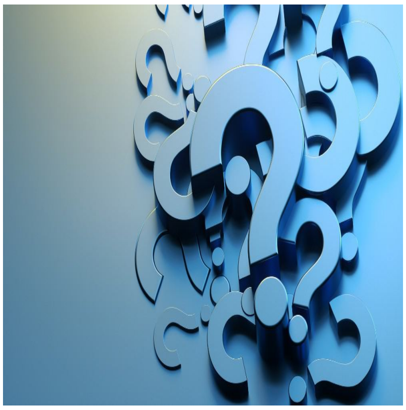

Is This New Stock the TSX's Best Growth Investment?

Description

Are you looking for the next big growth stock on the TSX? Then make sure to put **Kits Eyecare** (TSX:KITS) on your watchlist. The Vancouver-based company sells glasses. Through the use of augmented reality, consumers can even try on a pair to see what they will look like. Kits is looking to tap into the market for e-commerce eyewear sales. According to the company's prospectus, it estimates that channel accounts for roughly 13% of the industry's sales, with optical shops still making up the majority (54%) of purchases.

Kits is obviously not the only company to offer eyeglasses that can be purchased online. However, it says it differentiates itself by offering a "variety of high-quality designs" with up to 40,000 SKUs. And with a price point of US$69 for a pair of its own brand of prescription eyeglasses, it undercuts the average retail price in the U.S. market where a comparable product would go for US$351.

The company also says that it has a loyal customer base, with 69% of revenue coming from repeat customers. And although it is a Canadian company, it estimates that 80% of its business comes from the U.S. market. Kits is generating revenue at a run rate of $81 million and in its most recent quarter, sales were up 68% year over year. That's a fairly high growth rate and one that could attract many growth investors. Even a top tech stock like **Amazon**, which has benefitted from a spike in online shopping during the pandemic, generated a more modest 44% growth rate in its most recent earnings report. And that's in a fairly developed e-commerce market as opposed to eyeglasses, where there's still lots of potential growth in the sector.

While there may be a slowdown in online purchasing once the pandemic is over, some of these trends will likely persist as consumers get more comfortable with making more types of purchases online. The booming success of telehealth company **Teladoc** is a great example of how people have been making more use of the internet for things that they would have previously only done in-person, like making trips to the doctor's office. The healthcare stock has been one of the hottest buys of the past year, soaring around 150% in just the past 12 months. At a US$42 million market cap, however, the stock may be running out of room to rise.

Why now might be a great time to invest in Kits

Investors are currently valuing Kits at just $260 million. At its current run rate of $81 million in sales, that puts it at a price-to-sales ratio of just 3.2. By comparison, Teladoc trades at more than 25 times its revenue and Shopify is at a multiple of 56, putting it at an absurd valuation. Kits looks like a bargain next to those two growth stocks. However, there hasn't been a whole lot of excitement surrounding the company with its shares closing at $8.28 at the end of last week. That's down 8.7% from the $9.07 that the stock finished at on its first day of trading. And many investors may simply not know about it, as twice during the past week, its daily trading volumes were less than 10,000.

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