



Why Park Lawn (TSX:PLC) Stock Fell 14% in September

Description

Park Lawn ([TSX:PLC](#)) is a Toronto-based company that provides deathcare products and services in Canada and the United States. Shares of this stock plunged 14% through the month of September. The stock is now down 42% in the year-to-date period as of early afternoon trading on October 4. What is behind Park Lawn's plunge over the past month and in 2022? Let's jump in.

Why Park Lawn has lost momentum in 2022

Canadian stocks were [broadly throttled](#) in the month of September. Rising interest rates, geopolitical tensions, and the threat of recession has spooked investors. Park Lawn has been impacted by those macro trends, but the company has also experienced a slide due to changing conditions in the post-pandemic world.

Death rates have shot up significantly during the [COVID-19 pandemic](#), particularly among older demographic cohorts. This increased demand for the cremation and cemetery services that Park Lawn offers. The pandemic has wound down enormously since countries pushed forward a massive vaccine drive among the population. Thankfully, this has brought down death rates in North America and around the world in 2021 and now 2022. Park Lawn has seen decreased activity, as this has brought down demand for its services.

Here's why I'm still bullish on this stock for the long term

This company unveiled its second-quarter fiscal 2022 earnings on August 11. Park Lawn noted that the "meaningful decrease in national mortality" affected its cemetery operations. Regardless, net revenue climbed 5.4% year over year to \$75.9 million. However, adjusted net earnings fell 24% to \$6.62 million and adjusted net earnings per diluted share plunged 34% to \$0.19.

Park Lawn posted net revenue growth of 11% to \$159 million in the first six months of 2022. Meanwhile, adjusted net earnings dipped 2.7% to \$17.8 million.

The company's strong liquidity has allowed it to pursue an extremely aggressive acquisition strategy in a sector that is traditionally low on cash. That has given Park Lawn a significant advantage over its competitors. It expanded its presence in Mississippi in the second quarter of 2022, completing its acquisition of Chancellor Funeral Home and Garden of Memories. The company also snagged a funeral home in Durham, North Carolina. Moreover, Park Lawn made acquisitions in Virginia and in Toronto, Ontario.

ResearchAndMarkets recently projected that the global deathcare services market would grow from US\$102 billion in 2021 to US\$170 billion in 2026. That would represent a double-digit compound annual growth rate (CAGR) over the forecast period. This should spur investors to seek exposure to this burgeoning market.

Should you buy the dip in Park Lawn today?

Shares of Park Lawn have now dropped 33% year over year at the time of this writing. The stock currently possesses a solid price-to-earnings ratio of 20. The Relative Strength Index (RSI) is a technical indicator that measures the price momentum of a given security. This TSX stock last had an RSI of 29, which puts it in [technically oversold territory](#). Meanwhile, it offers a quarterly dividend of \$0.114 per share. That represents a modest 1.9% yield.

Park Lawn has struggled in 2022, but I'm looking to buy the dip in this [promising TSX stock](#) in early October.

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Date

2025/08/25

Date Created

2022/10/04

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