



## 1 Little-Known Canadian Stock to Buy Before Everyone Else Does

### Description

There are several growth stocks trading on the TSX that are flying under the radar. Most of these companies have the potential to deliver game-changing returns to long-term investors. One such TSX stock part of the retail sector is **Pet Valu** ([TSX:PET](#)), which is valued at [a market cap](#) of \$2.63 billion.

Pet Valu went public in June 2021 and has since returned more than 40% to investors. While most growth stocks are trading at depressed valuations in 2022, Pet Valu has gained a little over 4% year to date.

Let's see why Pet Valu stock should be part of your equity portfolio right now.

### Is Pet Valu stock a buy or sell right now?

With more than 700 retail locations and a portfolio of over 7,000 pet products, Pet Valu has increased its sales from \$529 million in 2018 to \$776 million in 2021. Despite a challenging macro environment, Pet Valu increased same-store sales by 15% year over year in the third quarter (Q3) of 2022. Its revenue rose 22% year over year to \$245 million, while adjusted (earnings before interest, taxes, depreciation, and amortization) grew 12% to \$57 million in the quarter that ended in September.

Pet Valu is a recession-resistant company, as pet owners are likely to keep purchasing these essential products across market cycles. A combination of rising same-store sales and new store openings should allow Pet Valu to increase revenue by 21% to \$939 million this year and by another 9.3% to \$1.03 billion in 2023.

It opened 13 new stores in Q3 and 32 stores in the first nine months of 2022. The company forecasts new store openings between 40 and 45 in 2022, and this strategy should drive sales higher for Pet Valu going forward.

Pet Valu emphasized, "We and our franchisees have the largest specialty pet store network in Canada which creates significant brand awareness and provides our stores with access to millions of Canadian pet owners. We combine our scale with a highly localized retail strategy allowing us to offer our

customers premium products at competitive prices while delivering personalized service.”

Pet Valu ended Q3 with a cash balance of \$48 million and inventory of \$136 million. Its net leverage improved to 1.8 times in Q3 compared to two times in Q2 of 2022. Its free cash flow stood at \$20 million, while capital expenditures totaled \$17.3 million year to date.

We can see Pet Valu’s robust top-line growth, steady margins, and wide economic moat make it [a top TSX](#) stock to buy in Q4 of 2022.

## What’s next for PET stock and investors?

Trading at a price-to-2023 sales multiple of 1.6 and a [price-to-earnings ratio](#) of 22.7, Pet Valu stock is fairly valued. Analysts expect company earnings to expand by 22.3% annually in the next five years, which should also allow Pet Valu to increase dividend payments consistently.

Pet Valu currently pays investors an annual dividend of \$0.24 per share, indicating a forward yield of 0.64%. These payouts have risen by 500% in the last year.

Bay Street analysts tracking Pet Value stock remain bullish on the company and expect shares to rise by almost 20% in the next 12 months.

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