3 Hidden-Treasure Small Caps to Buy Today

Description

As savvy investors know, small-cap stocks have the highest growth rates on average, and this means that picking the right one at the right price could result in huge returns. With this in mind, I scoured the market and found three small-cap stocks from three different industries that are trading at inexpensive forward valuations compared with both their five-year and industry averages, so let's take a closer look to determine if you should buy one of them today.

1. Aimia Inc.

Aimia Inc. (TSX:AIM) is one of the world's largest providers of marketing and loyalty analytics services.

At today's levels, its stock trades at just 13.5 times fiscal 2015's estimated earnings per share of $0.88 and only 13 times fiscal 2016's estimated earnings per share of $0.92, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 65.5 and its industry average multiple of 21.2.

I think Aimia's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of $18 by the conclusion of fiscal 2016, representing upside of more than 51% from current levels.

In addition, the company pays a quarterly dividend of $0.19 per share, or $0.76 per share annually, giving its stock a 6.4% yield.

2. Gluskin Sheff + Associates Inc.

Gluskin Sheff + Associates Inc. (TSX:GS) is one of Canada's largest independent wealth management firms, serving high net worth individuals and select institutional investors.

At current levels, its stock trades at just 12 times fiscal 2016's estimated earnings per share of $1.78 and only 9.2 times fiscal 2017's estimated earnings per share of $2.32, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 16.1 and its industry average multiple of 132.

I think Gluskin's stock could consistently trade at a fair multiple of at least 15, which would place its shares upwards of $34 by the conclusion of fiscal 2017, representing upside of over 58% from today's levels.

Additionally, the company pays a quarterly dividend of $0.225 per share, or $0.90 per share annually, giving its stock a 4.2% yield.

3. Morneau Shepell Inc.

Morneau Shepell Inc. (TSX:MSI) is the largest provider of human resources consulting and outsourcing services in Canada.

At today's levels, its stock trades at just 20.9 times fiscal 2015's estimated earnings per share of $0.75 and only 16 times fiscal 2016's estimated earnings per share of $0.98, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 32.7 and its industry average multiple of 29.5.

I think Morneau's stock could consistently command a fair multiple of at least 25, which would place its shares upwards of $24 by the conclusion of fiscal 2016, representing upside of more than 52% from current levels.

In addition, the company pays a monthly dividend of $0.065 per share, or $0.78 per share annually, giving its stock a 5% yield.

Should you buy one of these small caps today?

Aimia, Gluskin Sheff + Associates, and Morneau Shepell are three of the most attractive small-cap stocks in the market today, and all have the added benefit of dividend yields of over 4%. Foolish investors should strongly consider establishing long-term positions in one of them.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)

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jsolitro