



5 Underrated Stocks With Significant Upside Potential

Description

As Foolish investors can attest, finding the right stock at the right price can be very difficult. In order to make things easier for you, I've scoured the market and found five underrated stocks that are trading at inexpensive forward valuations, so let's take a quick look at each to determine which would be the best fit for your portfolio.

1. Element Financial Corp.

Element Financial Corp. ([TSX:EFN](#)) is one of North America's leading fleet management and equipment finance companies.

At today's levels, its stock trades at just 18 times fiscal 2015's estimated earnings per share of \$1.03 and only 11.4 times fiscal 2016's estimated earnings per share of \$1.62, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 67.5, its five-year average multiple of 752.1, and its industry average multiple of 329.6.

I think Element's stock could consistently trade at a fair multiple of at least 18, which would place its shares upwards of \$29 by the conclusion of fiscal 2016, representing upside of more than 56% from current levels.

2. Performance Sports Group Ltd.

Performance Sports Group Ltd. (TSX:PSG)(NYSE:PSG) is one of the world's leading manufacturers and marketers of sporting apparel, equipment, and accessories, and its brands include Bauer, Mission, Cascade, Combat, and Easton.

At current levels, its stock trades at just 18.3 times fiscal 2016's estimated earnings per share of \$0.89 and only 15.8 times fiscal 2017's estimated earnings per share of \$1.03, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 487.3, its five-year average multiple of 238.4, and its industry average multiple of 25.8.

I think Performance's stock could consistently trade at a fair multiple of at least 25, which would place

its shares upwards of \$25 by the conclusion of fiscal 2017, representing upside of more than 53% from today's levels.

3. BRP Inc.

BRP Inc. ([TSX:DOO](#)), also known as Bombardier Recreational Products, is one of the world's leading designers, manufacturers, and retailers of power-sports vehicles, including snowmobiles, personal watercraft, and all-terrain vehicles, and the propulsion systems that power these and other vehicles.

At today's levels, its stock trades at just 16.2 times fiscal 2016's estimated earnings per share of \$1.62 and only 13.7 times fiscal 2017's estimated earnings per share of \$1.91, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 52.3, its five-year average multiple of 41.8, and its industry average multiple of 25.8.

I think BRP's stock could consistently trade at a fair multiple of at least 18, which would place its shares upwards of \$34 by the conclusion of fiscal 2017, representing upside of more than 29% from current levels.

4. Canfor Corporation

Canfor Corporation ([TSX:CFP](#)) is one of the world's largest producers of sustainable lumber, pulp, and paper.

At current levels, its stock trades at just 20.6 times fiscal 2015's estimated earnings per share of \$0.87 and only 9.1 times fiscal 2016's estimated earnings per share of \$1.96, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 20.8, its five-year average multiple of 30.4, and its industry average multiple of 57.

I think Canfor's stock could consistently trade at a fair multiple of at least 15, which would place its shares upwards of \$29 by the conclusion of fiscal 2016, representing upside of more than 61% from current levels.

5. SunOpta Inc.

SunOpta Inc. ([TSX:SOY](#)) is a world leader in the sourcing, processing, and packaging of organic, non-genetically modified, and specialty food products.

At today's levels, its stock trades at just 24.6 times fiscal 2015's estimated earnings per share of \$0.28 and only 15.3 times fiscal 2016's estimated earnings per share of \$0.45, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 73.9, its five-year average multiple of 42.7, and its industry average multiple of 25.5.

I think SunOpta's stock could consistently trade at a fair multiple of at least 25, which would place its shares upwards of \$11 by the conclusion of fiscal 2016, representing upside of more than 59% from current levels.

Should you buy one of these stocks today?

Element Financial, Performance Sports Group, BRP, Canfor, and SunOpta are underrated stocks with significant upside potential. Foolish investors should take a closer look and strongly consider

initiating positions in one of them today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CFP (Canfor Corporation)
2. TSX:DOO (BRP Inc.)
3. TSX:SOY (SunOpta Inc.)

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