This Industrial Is Undervalued and Has 50% Upside!

Description

As an investor, there is no greater feeling than coming across an undervalued, little-known company. When markets are at or near all-time highs, it can be difficult to find good value. I've got a little gem of an industrial to share with you. Interested?

How many of you have heard of **Cervus Equipment Corp.** (TSX:CERV)?

I'm guessing few of you have. The company has a $228 million market capitalization, and due to its size, it's under-followed by retail investors. The company is undervalued, and analysts expect the company to post earnings growth of 17% annually over the next couple of years.

First, the basics

Cervus is engaged in the sale, after-sale service, and maintenance of agricultural, transportation, and industrial equipment. It has interests in 62 dealerships in Canada, New Zealand, and Australia.

Its agricultural segments sells and services John Deere products. The company's commercial equipment segment sells and services JCB equipment. Finally, its transportation segment sells and services a range of Peterbilt trucks.

As you can see, the company only deals in high-quality brands. It operates in a cyclical industry that is in the midst of an upswing.

Recent performance

Over the past year, Cervus stock has returned 21.50%. This outperformed the TSX Index, which returned 3.53%, and the TSX Industrial Index, which returned 13%. As of late, however, the story has changed. Over the past six months, Cervus has posted negative returns, as compared to the positive returns achieved by the TSX and the TSX Industrial Index.

Likewise, its one-month performance has not been as pronounced as the TSX’s approximately 6% bounce-back after a rough start to the year.

Hence, the opportunity.

Valuation

Cervus is one of the most undervalued companies I have come across in some time. The company’s price-to-earnings (P/E) ratio of 11.8 is below its historical averages. Not to mention, it hasn’t traded below its P/E historical average since back in 2010. Looking forward, its P/E could drop to 9.23 based on the next 12 months of earnings.

The company’s P/E-to-growth (PEG) ratio is 0.67. A PEG under one signifies that the company’s share price is not keeping up with earnings. Thus, it is considered undervalued.

The company is trading below book value, whereas the industry’s price-to-book average is 1.8.

Since we are talking value, what would Benjamin Graham, the “father of value investing,” think? Let’s use the Graham Number to find out. Once again, the company looks to be undervalued, as it’s trading below its Graham Number of $20.94, implying *upside of approximately 44%!*

Even analysts agree there is value to be had. With an average “overweight” rating and price target of $17.04, they believe there is 17% upside.

Don’t miss out!

It is only a matter of time before the market realizes Cervus has been overlooked. Once the company trades in line with its expected growth rates, there is 50% upside.

Don’t miss out!

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