



Get Rich With This Growth Stock Trading Under 5\$

Description

Can you handle a little volatility? If so, I have the perfect investment idea. As a value investor, I screen for companies who are mis-priced, namely, those that are ignored by the market and can provide significant returns over the short term.

I was pleasantly surprise when I came across **Advantage Oil & Gas** ([TSX:AAV](#))(NYSE:AAV). This little-known small cap has been mired in relative obscurity and its share price plunged in 2018.

This is hardly surprising. Small-cap, high-growth companies tend to underperform when markets are volatile. Advantage also faced a perfect storm with the significant headwinds faced by Canada's oil & gas sector in the second half of 2018.

In 2019 however, Advantage's stock has quietly been making a comeback. Year-to-date its share price has spike 20% and the best news? It has plenty of room to run.

Top energy stock for growth

Advantage has an [impressive growth profile](#). It has world-class assets in the Montney resource play in Alberta. Its assets generate a ton of free cash flow which the company can then re-invest in exploration and development.

The company expects to grow production by a compound annual growth rate of 8% through 2021. Cash flow per share is expected to jump by 31% annually over the same time frame. At a low estimated cash cost per barrel of oil of \$8.43 per barrel, it will continue to be a cash machine.

In 2018, the company drilled and put into production six new wells. All of which are performing above the company's expectations. This further re-enforces the high value of the company's [under-appreciated assets](#).

Top value stock

Currently trading at a price-to-earnings ratio of 76.13, the company looks expensive. It's not. Earnings per share are expected to jump 30% in 2019. As such, it is trading at a more respectable 21 times forward earnings.

Advantage is also trading at a fraction (0.3) of book value and at a cheap enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA) of 4.92. Both are significantly below industry averages of 1.1 and 7.90.

Analysts also recognize its under-valuation. Twelve analysts rate the company a 'buy' and three have it ranked as a 'hold'. There are no 'sell' recommendations.

The one-year average price target is \$4.29 per share, which is still shy of its 52-week high of \$4.80 per share. It also implies 80% upside from today's price of \$2.36 per share. Even the lowest one-year price target of \$2.75 suggests double-digit upside.

Getting rich is not without risk

This investment is not without risk. Advantage is susceptible to commodity prices. The company estimates that for every \$0.25 mcf swing in natural gas prices, earnings per share are impacted by approximately 4 per cent. Likewise, for every \$10 swing in WTI prices, there is a 6% impact on earnings.

As a small cap, it's also more volatile if it misses on earnings. This proven to be the case in the third quarter of 2018, when it posted a miss on the top and bottom lines.

This stock is not for the faint of heart. However, if you're willing to take on additional risk, Advantage has the potential to deliver significant returns.

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1. TSX:AAV (Advantage Oil & Gas Ltd.)

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