TFSA Investors: This High-Yield Dividend Stock Is Poised for a 25% Upside

Description

There's always opportunity in adversity. When a company with strong fundamentals experiences a correction, it creates a perfect buying opportunity for savvy investors.

No one is sure if a recession is around the corner, but everyone is aware that the global economy is not growing as fast as it used to. At this point, you'll want to invest in companies that can weather a potential storm and emerge stronger on the other side.

AG Growth International (TSX:AFN) is one of Canada's leading agricultural equipment manufacturers with manufacturing facilities in North America (Canada, the United States), Europe (France, Italy), Asia (India), South America (Brazil), and Africa (South Africa).

It provides farm and commercial solutions and systems for storage, handling, structures, processing, and controls in seed, fertilizer, grain, feed, and food.

This has been a roller coaster year for AGI with one bad quarter followed by an excellent one followed by a sobering one. AGI stock prices fell from $62 in April to $38 in October before recovering to $46 in November.

If you'd read our report on AG here and gotten your hands on this stock, you would have made 14% in less than 60 days. However, it's still not too late to make money off of AGI.

Seven analysts tracking AGI have given it a low target of $55 and a high of $62. The average target is around $58. One thing is clear: all analysts agree that AGI is currently undervalued and it's a great time to pick up the stock.

Third-quarter results

AGI reported a loss of $2.8 million for the third quarter of 2019 due to a flaw in product design. Tim Close, President, and CEO of AGI said, "This onetime charge related to product design issues that were discovered during the execution of projects. And we determined that we needed to amend the design and add additional time and materials to ensure the projects were completed to the expectation of our customers."

Design flaws notwithstanding, sales at AGI grew 7% compared to the same period in 2018. EBITDA came in at $39 million on sales of $261 million, and the company has said that EBITDA percentages in the fourth quarter of 2019 are expected to decrease compared to the prior year, which is largely due to investments in marketing and technology, the impact of poor harvest conditions on certain product categories and commercial sales mix.

Analysts expect sales for 2020 to be 15% more than those of the previous 12 months. The year 2020 is also looking very good for AGI right now. Apart from robust growth expectations Canada and the USA, Brazil and India are also expected to fire off.

AGI Brazil continues to make progress both in manufacturing efficiencies and market development, and management anticipates improved results in the country in 2020.

The company also expects growth from its platform acquisition in India due to increased market development and synergies with other AGI divisions.

And the icing on the cake? AGI has a forward dividend yield of 5.2%.

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