3 Small-Cap Stocks to Capitalize on This Selloff

Description

Hello, Fools! I'm back again to highlight three attractive small-cap stocks. As a reminder, I do this because companies with a market cap under $2 billion

- have much more room to grow than larger more established "blue chips"; and
- are largely ignored by professional analysts.

While small-cap stocks tend to be on the volatile side, the upside return potential is often well worth the risk.

So, if you're looking to take full advantage of the recent selloff, this list might be a good place to start.

Jet setting

Leading off our list this week is **CargoJet** (TSX:CJT), which currently sports a market cap of $1.6 billion. Shares of the overnight cargo company have gained more than 20% over the past year.

The stock has slumped in recent weeks on disappointing quarterly results and general market malaise, but now might be the perfect opportunity to pounce. Despite the pullback, CargoJet's market-leading position (over 90% share in Canada) coupled with long-term ecommerce tailwinds continue to make it an attractive play.

In 2019, CargoJet's adjusted EBITDA jumped 22% to $156 million as revenue improved 7% to $487 million.

"Our efforts to prudently manage costs are yielding better margins and we continue to optimize our fleet utilization," said CEO Dr. Ajay Virmani. "CargoJet team once again delivered a strong quarter making us incredibly proud of their dedication and hard work.

Cargojet currently trades at a forward P/E in the low 40s.

Drink up

With a market cap of $430 million, **Andrew Peller** (TSX:ADW.A) is next on our list. Shares of the wine products specialist are down more than 25% over the past year.

The stock has been bruised in recent months on disappointing sales growth, providing Fools with a potential buying opportunity. Specifically, Peller's roster of premium brands (including Peller Estates, Trius, and Hillebrand), stable cash flows, and prudent capital management make it a solid income play.

In the most recent quarter, earnings increased it to $24.5 million, and gross margin strengthened to 43.5%.

"We continue to see improved performance across the majority of our well-established trade channels, driven by the introduction of new products and new product categories," said CEO John Peller. "We are also pleased to see further strengthening in our profitability, the result of our emphasis on higher-margin products and our cost control initiatives."

Peller shares sport a decent dividend yield of 2.2%.

Automation sensation

Rounding out our list is **ATS Automation Tooling Systems** (TSX:ATA), which currently sports a market cap of $1.7 billion. Shares of the factory automation specialist are down slightly over the past year.

Fools should consider pouncing on the stock's recent weakness. Strong industry trends, coupled with ATS' scale advantages (23 manufacturing facilities in North America, Europe, and Asia), continue to make it a juicy long-term opportunity.

In the most recent quarter, for example, EPS clocked in at a solid $0.26, as revenue climbed 14% to $367 million. Moreover, management initiated a reorganization plan, suggesting that long-term profitability should continue to improve.

"Third-quarter performance featured year-over-year growth in revenues," said CEO Andrew Hider. "Going forward, we have a strong balance sheet that will allow us to continue pursuing our value creation strategy, build, grow and expand, with the goal of creating long-term shareholder value."

ATS shares trade at a forward P/E in the mid-teens.

The bottom line

There you have it, Fools: three attractive small-cap stocks worth checking out.

As always, they aren't formal recommendations. Instead, view them as a starting point for more research. Small-caps carry more risk than the average stock on the TSX Index, so extra caution is required.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ADW.A (Andrew Peller Limited)
2. TSX:ATS (Ats)
3. TSX:CJT (Cargojet Inc.)

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1. Investing

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