This Small-Cap TSX Stock Is a Bargain

Description

Since the market crash was at its worst, and **TSX** stocks started to rebound, most of the stocks that have outperformed since then are big, blue-chip companies.

A few growth businesses have skyrocketed too, such as a **Shopify** or **Cargojet**. These businesses are being positively impacted by the shutdown in the economy.

The other stocks that have seen their value increase substantially are defensive investments. Companies such as utilities and grocery stores are seeing an influx of investors looking to protect their capital.

It makes sense that big blue-chips and defensive stocks would have the most interest. After all, investors are looking for stability and a way they can stabilize their portfolios.

However, it would be a mistake to completely shut down the idea of buying stocks in a different sector, just because it's not defensive.

For example, a stock like **Andrew Peller** (TSX:ADW.A) has been attractive since the stock was initially sold off by roughly 45%.

Andrew Peller: A rapidly growing TSX stock

Andrew Peller is one of the leading Canadian wine-producing companies. The business has been around for over 50 years and now owns wineries in Ontario, British Columbia, and Nova Scotia.

Andrew Peller has been a family-owned business since it was founded, and the company has leveraged its expertise throughout its history to grow into the major player it is today.

Over the last 25 years, the company has made more than 17 acquisitions totaling over $200 million. These acquisitions have played a significant role in helping the company to grow to what it is today.

The growing TSX stock even has its own retail stores in strategic locations across Ontario. This is significant, because it vertically integrates the company. Furthermore, it allows Andrew Peller to capture higher margins across its businesses.

Wine business in a recession

Traditionally, alcohol sales generally hold up better than other discretionary items in a recession.

That seems to be the case in our current environment today with numerous reports pointing to record-level alcohol sales comparable only to the week before Christmas. It's not surprising, as people are stuck at home with nothing to do, that alcohol sales would increase.

One of the strengths of Andrew Peller is its wide range of products from high-end premium wine to low-end budget wine.

This is important, as consumers are likely to switch to more budget-conscious choices, as their incomes are on hold temporarily.

And if consumers keep this up, Andrew Peller could see only minimal impacts on its sales until this is over.

A growing opportunity for this TSX stock

Even though the business likely isn't being as affected as investors think, the small-cap TSX stock is still down more than 40% off its 52-week high.

It's worth noting that it has already recovered more than 40% from its 52-week lows. However, there is still a lot more upside in Andrew Peller shares.

Through the first nine months of fiscal 2020, revenue was mostly flat from the year prior. However, Andrew Peller increased its margins. This put the company on pace to beat 2019's numbers slightly.

So, with Andrew Peller stock still down more than 40% off its all-time highs, the stock has significant upside.

Currently, the stock is trading at just 1.5 times its price-to-book ratio. That's considerably lower than its five-year average price-to-book ratio of 2.5 times.

Plus, its dividend, which pays out just 40% of earnings, currently yields more than 2.5%.

Bottom line

There is a tonne of value in this small-cap TSX stock today, making it a buy at these prices. However, there's still a possibility that markets will crash from here. If that were to happen, there could be more downside pressure in the stock, but there's no question I'd be scooping up shares of this top long-term TSX stock.

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