



TSX Stocks: This Small-Cap Is Dirt Cheap

Description

The majority of the **TSX** stocks that have gotten the most attention the last few months have been large blue-chip businesses or those with defensive attributes. Healthcare and other growth stocks that have been positively impacted have also gotten considerable attention.

Some stocks, though, have been managing the current pandemic very well. However, because these are smaller, lesser-known companies, investors may miss out on a major opportunity.

Big companies like blue chips are naturally investors favourites, since they can handle these economic situations better than most.

But besides sheer size, one of the other biggest determining factors of a TSX stock's ability to handle the impact of the [coronavirus](#) is the industry it's in, the products it sells, and the customers it serves.

A perfect small-cap TSX stock to buy today

One small company that has gone under most investors' radars is **Andrew Peller** ([TSX:ADW.A](#)).

Andrew Peller owns several wineries across Canada. The company has a long family history of wine-making, but only within the last few decades has it started to become a real growth stock.

Since then, the TSX stock has expanded rapidly, making a number of acquisitions and building its portfolio of brands.

The wine industry is one that's naturally quite defensive. Plus, Andrew Peller has a huge market share in the domestic wine space. Furthermore, the company has products of all qualities and prices. This is crucial, as it allows the top TSX stock to target customers of all categories.

There is some concern that some of Andrew Peller's sales to restaurants may have been largely impacted by the shutdown.

However, as we'll see from the earnings, it looks as though almost all of that was offset by people consuming more wine at home while self-isolating during stay-at-home orders.

Financial results

[Andrew Peller](#) reported earnings last week, and the numbers prove just how well the company has handled the ongoing crisis.

Sales for the TSX stock were essentially flat year over year and even saw a 2.9% increase in the fourth quarter. Another thing that's immediately noticeable is the 190-basis-point increase in its gross margin. In fiscal 2020, Andrew Peller earned a gross margin of 43.5% vs. 41.6% gross margin in fiscal 2019.

The company's stronger gross margin came as a result of an increased focus on higher-margin products as well as the positive impact of the company's cost-control initiatives.

As a percentage of sales, selling and administrative expenses improved to 27.4% in fiscal 2020 compared to 27.8% in the prior year. This is impressive, given that the company introduced a temporary wage increase for front-line staff during the COVID-19 pandemic.

In addition to gross earnings, Andrew Peller's net earnings were also strong in fiscal 2020. The company reported net earnings of \$23.5 million, an increase of \$1.5 million, or a 7% increase from fiscal 2019.

Although these earnings only account for a short period of coronavirus, it's clear that Andrew Peller has been weathering the storm well.

Management believes the business segments that will be most impacted are its export, estate property hospitality, and personal wine-making sales.

However, the consumption of alcoholic beverages has remained stable in Canada, with consumers purchasing products through alternative distribution channels. This has been a benefit to the company's sales through provincial liquor stores and its other retail channels.

These impressive results just go to show how strong the small-cap TSX stock has been.

Bottom line

As of Monday's close, Andrew Peller was trading at just \$9.40. This represents a roughly 35% discount from its 52-week high. Plus, the stock pays a decent dividend that currently yields roughly 2.3%.

Andrew Peller's high-quality business and impressive results show what a strong company it is. At 35% off its 52-week high, it's clear it's one of the top TSX stocks for long-term value investors to buy today.

CATEGORY

1. Coronavirus
2. Dividend Stocks

3. Investing

TICKERS GLOBAL

1. TSX:ADW.A (Andrew Peller Limited)

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