



## Buy Alert: This Small Cap TSX Stock Could Gain 40% in a Year

### Description

The pandemic has wreaked havoc on consumer discretionary stocks since March. Many stocks fell between 20%-50% before they have rebounded slightly. And as companies and businesses started to open up in May and June, there is a clear uptick in consumer spending, which means there are good stocks that are ripe for the taking.

**New Look Vision Group** (TSX:BCI) is one of Canada's leading retailers, with 393 stores across Canada and Florida, in the eye care product space. Let me be honest. At first glance, it is not a company that stands out because of its product (it's an eyewear retailer, for crying out loud) or for its innovation in services (again, it's an eye wear retailer). And yet, this is a company that keeps plodding along, selling products, and raking in sales.

The industry and business it operates in are resilient and recession-proof. Pandemic or no, people want their eye wear. And New Look has one of the largest retail networks in Canada that makes it convenient for people to shop for their product.

As Antoine Amiel, Vice Chairman, President & CEO, New Look Vision said, "... our industry and our company are predictable often and resilient always. So I anticipate that we will resume our journey of profitable growth post-crisis in an environment possibly even richer with opportunities for reliable operators and integrators like ourselves." The keywords here are predictable, resilient, and reliable. That is what works in New Look's favour.

### A look at Q1 revenue and analyst estimates

New Look's revenues have climbed from \$198 million in 2016 to \$298 million in 2019, a CAGR of 10.76% while net earnings have grown at 13.82% for the same period. For the last 22 consecutive quarters, New Look posted comparable-store sales growth. That should give you an idea of the predictability of its business. It was on track for quarter number 23 as well before COVID-19 derailed its momentum.

Until February, sales rose 2.1%. The pandemic then hit and around 80% of New Look's stores shut

down mid-March onward and the other stores only offered emergency services at reduced hours. Revenue for [the first quarter](#) decreased by 4.8% to \$68 million, which also resulted in a net loss of \$0.3 million.

New Look completed the acquisition of the Edward Beiner Group with stores in Florida in this quarter while acquiring additional locations in Canada. Total debt has increased by \$35.4 million as a result of these acquisitions.

New Look has responded aggressively to the shutdown with temporary layoffs, reductions in executive salary pay, and other cost-saving measures. The company claims that the impact of these measures will be visible in Q2. The New Look Board has suspended the quarterly dividend and the corresponding DRIP (dividend reinvestment plan) for Q1 2020.

The company announced that it has finalized new finance arrangements to the tune of \$40 million from Fonds de solidarité FTQ. Company stores have slowly reopened starting May 4, and management expects that the coming weeks will see a complete rollout across regions.

In December 2019, [fellow Fool Chen Liu](#) said that the intrinsic value for New Look is \$34.57. The stock currently trades at \$26.

When first-quarter results were announced, analysts gave the **TSX** stock a 12-month price target of \$36, indicating an upside potential of 40%.

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