



Got \$2,000? Buy This 1 Cheap Stock Right Now

Description

In these turbulent times, if you're looking for great value investment opportunities, then certainly there is no easy path to it. In such times of crisis, the investment theories that you have studied so far might not work. This is because you never know for how long the ongoing pandemic is going to last. If it leads the global economy into a [multi-year recession](#), then the situation is going to worsen.

However, a couple of things that the pandemic has taught investors is to keep their powder dry for uncertain times and to never consider investments in large companies as being absolutely safe. Many small-cap businesses have yielded much better returns lately as compared to big companies. Let's take a closer look at one such small company and why I find it an attractive investment option.

Buy this stock with your \$2,000

Cascades ([TSX:CAS](#)) is a Quebec-based paper packaging producer with a market capitalization of about \$1.4 billion. It makes most of its revenue by selling packaging and tissue products. Most of these products are made using recycled fibres.

COVID-19 hasn't directly affected Cascades's business, as all its business operations are considered essential. In fact, the company [saw a sudden surge](#) in demand for the essential tissue in the first quarter. This demand helped the company boost its revenue by 6.8% YoY (year over year) for the quarter to \$1.3 billion.

Higher revenue also boosted Cascades's adjusted earnings in Q1 to \$0.42 — up 40.0% from \$0.30 in the previous quarter. It was also triple from the adjusted earnings of \$0.14 per share in the same quarter of 2019.

On the profitability front, the company's gross profit margin rose to 16.8% in Q1 — much higher as compared to 14% a year ago. Cascades posted adjusted EBITDA of about \$160 million with a 5.9% sequential and 19.3% YoY increase. Its bottom-line margin significantly expanded to 3% from just 1.1% in the Q1 2019.

Know near-term risks to its business

On the one hand, the pandemic has increased Cascades's sales. It has also driven the prices of white recycled-grade fibre costs upward on the other. The company uses this type of fibre as a raw material. Also, the low availability of recycled material has forced the company to use more of costlier virgin pulp.

Higher raw material costs are likely to hurt Cascades's margins in the near term. Nonetheless, its profitability still likely to remain stable in the long run.

Foolish takeaway

In the second quarter so far, its stock has underperformed the broader market with 13.5% gains against a 15.5% rise in the **S&P/TSX Composite Index**. As the pandemic related restrictions gradually subside, Cascades's business might see a sequential drop in its sales. But a positive sales trend is likely to remain intact. In my opinion, its stock price hasn't seen as much appreciation as it deserved after its solid first-quarter results.

These are some of the reasons why I believe Cascades stock could yield excellent positive returns going forward.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CAS (Cascades Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/25

Date Created

2020/06/27

Author

jparashar

default watermark

default watermark