



1 Small TSX Stock Under \$15 with Incredible Upside

Description

Martinrea International ([TSX:MRE](#)) engages in the production of highly-engineered lightweight structures. Accordingly, investors focused on the automotive sector may want to check out this stock. Similar to its larger peers like **Magna**, Martinrea is exposed to a number of excellent secular tailwinds.

Accordingly, many look to Martinrea as the baby brother of Magna. Let's take a look at why this smaller automotive play is intriguing today.

Excellent valuation and fundamentals

One of the attractive things about this stock is its [valuation](#). Martinrea currently trades at less than book value and only 0.3-times sales. It's dirt cheap compared to its peers in this sector which has become a key growth sector of late.

Additionally, this stock is priced below the \$15 mark. For those on a budget, Martinrea is certainly a stock to consider right now.

As with other highly-cyclical plays, Martinrea should outperform come earnings season as we inch toward a strong economic recovery. Martinrea has powered through the lockdown with negligible obstructions and possesses a relatively strong balance sheet. The company's generating significant free cash flow at present, and is expected to continue doing so as automotive sales continue to rebound in the coming quarters.

I believe Martinrea's discounted valuation makes this smaller-cap option one of the best in the sector today. For those looking for deep value in the auto manufacturing space, Martinrea is a relatively little-known option with some impressive potential upside.

Martinrea's operations and management team are extraordinary

Martinrea is a company that's focused on its quality processes and reputation. The company's

management team has made quality a primary goal. And Martinrea has received various awards, acknowledging its quality in the past.

This strategy has been implemented by what I view as one of the best management teams in the auto manufacturing sector. The company's a small, but it's got a world-class management team. This team has stayed laser-focused on its strategic goals, with excellent outcomes over time.

Now, Martinrea's stock chart looks a little different from Magna's over the long-term. This is a company with a storied and rocky past.

However, insiders at Martinrea are buying into the company's strategic vision. This recent insider buying should indicate to investors that Martinrea's valuation is out of whack with the company's growth potential. On that point, I think investors need to dive into the numbers to see for themselves how undervalued this stock is today.

Bottom line

I think quality of operations and quality of a company's management team are more important now than ever.

As demand rebounds coming out of this pandemic, investors will want to own the best-quality names in a given sector. In this regard, I'd expect to see some impressive returns for those buying Martinrea stock today.

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