



## These 5 Canadian Small Caps Are Great Stocking Stuffers!

### Description

Merry Christmas, Fools! If you're looking for more gifts to spoil your loved ones with, you may want to consider buying them shares of wonderful small-cap businesses that are on the fast track to becoming some of the shiniest of stars on the TSX over the next decade.

Without further ado, here are the stocks:

#### **Spin Master Corp.** ([TSX:TOY](#))

Spin Master is the innovative toy company behind Hatchimals, last year's Toy of the Year. The company is my favourite small cap to own over the next decade because of the management team's abilities to drive growth through both organically and via very smart acquisitions.

I think 29.28 times trailing earnings is an absurdly low price to pay for a growth powerhouse that has demonstrated time and time again that it can hang with the leaders in the toy industry. Innovation and imagination are two qualities that Spin Master has that'll put the company on the map at the global scale.

The management team has [underpromised and overdelivered](#) up to now, and given the company's abilities to expand across the globe, I think the stock still has a tonne of room to run over the next five years and beyond.

#### **Sleep Country Canada Holdings Inc.** ([TSX:ZZZ](#))

Sleep Country is a terrific retailer that isn't going out of business at the hands of rising digital disruptors. Mattresses are items that consumers need to try before they buy, and that's why Sleep Country will be able to expand its brick-and-mortar locations at a time when many other retailers are closing.

Mattress-in-a-box disruptors Casper, Lessa, and Tuft & Needle are trying to steal Sleep Country's slice of the Canadian mattress market, but I don't suspect they will put Sleep Country in any sort of danger considering the mattress-in-a-box market is quite small. In addition, Sleep Country has its own

mattress in a box with Bloom, which has similar attractive return policies as its peers.

Rest assured, Sleep Country isn't keeping its cash under a mattress. It's investing for growth to bolster its position as a Canadian mattress powerhouse. It isn't a monopoly yet, but given Sleep Country's wide reach and the downfall of Sears Canada, I think we're heading in that direction.

### **Cargojet Inc.** ([TSX:CJT](#))

Speaking of monopolies, Cargojet is a small-cap stock with a virtual monopoly with ~90% market share in the Canadian overnight shipping market.

It's no mystery that e-commerce is going to rocket into the atmosphere over the next few years, and given that trend, I believe Cargojet shares are poised to soar.

The stock is quite expensive, but given its huge moat and the e-commerce growth opportunity, I'd strongly consider initiating a position today.

### **Alaris Royalty Corp.** (TSX:AD)

With a massive ~7.9% yield, Alaris is the perfect gift for income investors. The private equity lender has had its [fair share of problems](#), but management is taking steps to reduce risk by diversifying its revenue stream.

The stock is dirt cheap at current levels, but it's a higher-risk investment that I'd only recommend to aggressive income investors and not retirees who depend on investment income to put food on the table.

Over the next few years, I believe Alaris will gradually reduce its payout ratio, and the dividend will remain static during this time. For those interested in a high-risk/high-reward scenario, Alaris is a perfect gift for the thrill seeker in your life.

### **Roots Inc.** ([TSX:ROOT](#))

Roots is a wonderful business that had a flop of an IPO. Now that most of the dust has settled, I think it may be time for investors who are fans of the brand to back up the truck, because I think they're well prepped for take off in 2018.

Retail is a tough business, but Roots has arguably one of the most recognizable Canadian brands out there.

Going forward, management is putting its foot to the pedal on same-store-sales initiatives and international expansion, both of which could send shares substantially higher than they are now. The latter initiative is a huge question mark right now, so investors should expect a great deal of volatility over the next year or so.

Stay hungry. Stay Foolish.

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1. Editor's Choice

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2. TSX:CJT (Cargojet Inc.)
3. TSX:ROOT (Roots Corporation)
4. TSX:TOY (Spin Master)
5. TSX:ZZZ (Sleep Country Canada)

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joefrenette

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