These Uncovered TSX Growth Gems Could Make You a TFSA Millionaire

Description

Solium Capital (TSX:SUM), an under-the-radar stock that I've pounded the table on over the past few months, is going, going, gone. The stock popped 43% in a single day following the news that **Morgan Stanley** scooped up the Canadian tech sensation, while Canadian investors tell themselves, "if only I'd heard of that company!"

The stock nearly doubled in the matter of a few months, and clearly, I didn't get through to enough investors, as the wonderful SaaS (software-as-a-service) play is now a "what-could-have-been" stock.

Now, my goal of this piece is not to give you that "I-missed-out" or "shoulda, coulda, woulda" feeling. Rather, I'd encourage investors to give more merit to the incredible under-the-radar mid-caps that many Canadians have been overlooking. The U.S.-based firms have been patrolling the TSX and scooping up severely undervalued opportunities beneath our feet; oftentimes, we focus our attention to where the puck has already been rather than where we think the puck is headed next.

Despite pounding the table on Solium over the last few months, I didn't have the opportunity to pick up shares for my personal TFSA, as I was still digging into the finer details behind the business. Unfortunately, sometimes the opportunities take off while you do the homework, and that's a tough pill to swallow. That doesn't mean you should "rush" the homework process, however, because it's a lot better to miss a huge winner than to overlook a potential issue that could result in you losing a substantial portion of your principal.

At the time of Morgan Stanley's Solium scoop-up, Solium was worth around $1 billion, a sweet spot for mid-cap stocks. They're not too small such that you're stomaching too much risk, and they're not too big as to have the attention of the mainstream investor.

If you missed out on Solium, don't fret. Instead, look to stocks like **Spin Master** (TSX:TOY), another severely undervalued mid-cap stock that Canadian investors aren't looking at.

The company took a temporary hit to the chin due to the U.S. Toys R Us bankruptcy. That's a huge void left in a major industry, and while it'll take a year or two to fill in this void, the toy makers are going to be trading at severely depressed valuations.

The void left by Toys R Us won't impact the long-term growth story that is Spin Master. It's an innovative tech company that happens to sell toys. As the toy industry void is filled by other retailers spotting the economic opportunity, we will eventually hit equilibrium, and the toy companies will rise again.

Given the catalysts, the double-digit EPS growth potential, the international expansion opportunity, and the ridiculously cheap valuation (20 times trailing earnings), Spin Master is far too cheap at these levels; if it gets any cheaper, I fear the stock will be scooped up as many other promising mid-cap TSX gems have been over the past few years.

Foolish takeaway

Solium is a wonderful business that got stolen from the TSX because investors weren't able to spot the discrepancy between the intrinsic value and market value. Don't let other mid-caps like Spin Master get away from you. Pay attention to the mid-caps, because that's where the vast returns lie, and if you're able to uncover a hidden gem, you should be upset if a firm scoops up the company from your portfolio because there are likely many years' worth of considerable gains in the cards.

Stay hungry. Stay Foolish.

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Date
2025/08/25

Date Created
2019/02/14
Author
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