Turn Your Average TFSA Into a $1.12 Million Retirement Hoard

Description

Hello, Fools. I'm back to highlight three attractive small-cap stocks. As a reminder, I do this because companies with a market cap under $2 billion

- have much more room to grow than larger more established "blue chips"; and
- are largely ignored by professional analysts.

If you want to turn an average $27K TFSA into a million-dollar retirement hoard in 20 years, you'll need an annual return of at least 20% to do it. So, while small-cap stocks tend to be on the volatile side, the upside return potential is often well worth the risk.

Without further ado, let's get to it.

Food for thought

Leading off our list is fast-food restaurant operator **MTY Food Group** (TSX:MTY), which currently sports a market cap of $1.6 billion.

MTY's stable cash flows, significant scale (nearly 6,000 franchised locations), and well-known brands (including Extreme Pita, Jugo Juice, and Koya Japan) should continue to reward long-term shareholders.

In MTY's Q2 results last week, sales improved 12% while normalized free cash flow grew 5.3% to $26 million. While same-store sales declined 9% internationally, they were positive in both Canada and the U.S.

"In Canada, this was the seventh consecutive quarter in which we achieved positive same store sales growth," said CEO Eric Lefebvre. "In the U.S., our comparable store performance turned positive, reflecting an improvement on the West Coast."

MTY is up 6% in 2019.

Steely eyed

With a market cap of $1.3 billion, steel producer **Stelco Holdings** (TSX:STLC) is next on our list of small wonders.

The stock has been walloped over the past year on trade turbulence, but with U.S. tariffs now lifted, previously hesitant investors might want to jump in.

In Q1, after all, Stelco still managed to post revenue improvement of 7% and net income growth of 48%. Moreover, tariff adjusted EBITDA increased 10% to $76 million, suggesting that underlying demand remains relatively strong.

“As we look forward, demand from most of our key end markets remains stable and we are utilizing our logistics infrastructure to continue to expand our market footprint,” said CEO David Cheney.

Stelco shares are down slightly in 2019.

Losing sleep

Closing out our list this week mattress maven **Sleep Country Canada Holdings** (TSX:ZZZ), which currently has a market cap of $690 million.

Negative same-store sales amid a sluggish macroeconomic environment have weighed heavily on the stock, but it now might be too cheap to pass up. Currently, the Sleep Country sports a forward P/E of 10.5 and offers a healthy dividend yield of 4.1%.

Moreover, the company’s same-store sales, while negative, seem to be trending in the right direction.

“While reported same store sales were softer than expected in January and February, not surprising given the weather, they improved in March,” said CEO Dave Friesema in the most recent quarter.

Sleep Country shares are down 7% in 2019.

The bottom line

There you have it, Fools: three attractive small-cap stocks worth checking out.

As always, they aren’t formal recommendations. Instead, view them as a starting point for more research. Small-caps carry more risk than the average stock on the TSX Index, so extra caution is required.

Fool on.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)
2. TSX:STLC (Stelco Holdings Inc.)
3. TSX:ZZZ (Sleep Country Canada)

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