



## 3 Small-Cap Stocks Poised to Pop in 2020

### Description

Hi there, Fools. I'm back again 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.

So if you're looking to add rocket fuel to your 2020 returns, this list might be a good place to start.

### Recipe for success

Kicking off our list is **Recipe Unlimited** ([TSX:RECP](#)), which currently sports a market cap of \$1.4 billion. Shares of the security software specialist are off about 8% in 2019.

Recipe's scale (Canada's largest full-service restaurant company) and established brands (Swiss Chalet, Harvey's, East Side Mario's, The Keg) should continue to drive solid long-term returns. Despite soft sales in the most recent quarter, Recipe still managed to generate free cash flow of \$40 million.

"We believe that the resilience of our multi-brand earnings model and our disciplined 4-Pillar operating strategy, focused on improvements in the areas of Quality of Food, Quality of Service, Value for Experience and Ambience is a more sustainable model for the long term health of our brands and our franchisees," said CEO Frank Hennessey.

Recipe shares sport a cheapish forward P/E of 13.

### Hemp-based opportunity

Next up, we have **Charlotte's Web Holdings** ([TSX:CWEB](#)), which has a market cap of \$1.7 billion.

Shares of the hemp-based wellness products specialist are down 22% over just the past month.

Enterprising investors might want to take advantage of the stock's recent downturn. In the most recent quarter, EPS clocked in at a positive \$0.02 as organic revenue jumped 45% to \$25 million. Moreover, total retail locations carrying Charlotte's Web products increased by 1926 to 7871.

"We have been experiencing increased sales through both our e-commerce and retail sales channels," said CEO Deanie Elsner. "Top tier mass retailers are entering the market as several national grocery and drugstore brands have announced their CBD plans."

Currently, the stock has a price-to-sales ratio of 20.

## Fair exchange

Rounding out our list is **Exchange Income** ([TSX:EIF](#)), which sports a market cap of \$1.2 billion. Year to date, shares of the aerospace company are up a solid 36%.

Exchange Income has grown its revenue, operating cash flow, and dividend at a rate of 40%, 43%, and 10%, respectively, over the past three years. And in the most recent quarter, management announced its 14th dividend increase over the past 16 years, to an annualized \$2.28 per share at writing.

"Our strong results this quarter once again demonstrate the effectiveness of our time-tested strategy and diversified business model," said CEO Mike Pyle.

Exchange Income shares currently sport a forward P/E of 11 and offer a scrumptious dividend yield of 6%.

## 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

### TICKERS GLOBAL

1. TSX:CWEB (Charlotte's Web Holdings, Inc.)
2. TSX:EIF (Exchange Income Corporation)
3. TSX:RECP (Recipe Unlimited)

### PARTNER-FEEDS

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bpacampara

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