3 Small-Cap Stocks to REALLY Profit From This Market Panic

Description

Hello, 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.

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So, if you're looking to take full advantage of the recent selloff, this list might be a good place to start.

Tasty opportunity

Kicking off our list is restaurant operator **MTY Food Group** (TSX:MTY), which currently sports a market cap of about $950 million.

MTY has been fallen sharply along with the rest of the market, providing Fools with an attractive opportunity. Specifically, the company's solid cash flow generation, well-recognized brands (including ManchuWOK, Country Style, and Thai Express), and strong scale (over 7,000 locations worldwide) should continue to underpin its long-term investment case.

In the most recent quarter, net income jumped 56% to $20.7 million, as system sales improved 45% to $1.02 billion. More importantly, free cash flow spiked 59% to $43.6 million.

"We will continue to focus on shareholder value by continuing our efforts to generate organic growth from our existing concepts, seeking potential acquisitions to increase our market share, returning cash to shareholders through dividends and being opportunistic with share buybacks," said CEO Eric Lefebvre.

MTY shares trade at a forward P/E of about 10.

Need a lift

With a market cap of roughly $460 million, personal mobility specialist **Savaria** (TSX:SIS) is our next small-cap marvel.

Savaria shares have also been walloped in recent weeks, but now might be a good time to start nibbling. Specifically, Savaria's leadership position in the personal mobility space coupled with strong demographic trends should continue to fuel solid long-term growth.

For 2020, management sees revenue of roughly $395 million with an adjusted EBITDA margin ranging between 15% and 16%.

"Both the U.S. and Canada are expected to see 20% of their population to be over 65 in just 10 years from now," said President and CEO Marcel Bourassa. "As people look for ways to stay safely in their homes longer, Savaria, in line with its mission, continues to bring the best products and service to this market."

Savaria currently trades at a forward P/E in the mid-teens.

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Juicy opportunity

Rounding out our list is healthy juice specialist **Lassonde Industries** (TSX:LAS.A), which currently has a market cap of about $740 million.

Lassonde shares have been hit particularly hard during this downturn, but the stock might be getting too cheap to pass up. Specifically, the company's scale, recession-proof nature, and trusted brands (including Allen's, Fairlee, and Del Monte) should be able to defend against a prolonged slump.

In the most recent quarter, Lassonde continued to work through increased costs and sluggish demand.

"The 2019 third-quarter operating profit was affected by higher manufacturing overhead costs in the United States and by a slower rate of production arising from new equipment being installed at one of our Canadian plants," said CEO Nathalie Lassonde.

But on the bullish side, Lassonde now trades at a forward P/E in the low double digits and sports a highly comforting beat of 0.2.

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:LAS.A (Lassonde Industries Inc.)
2. TSX:MTY (MTY Food Group)
3. TSX:SIS (Savaria Corporation)

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1. Business Insider
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