2 Venture Capital Growth Stocks for Your TFSA

Description

Not many investors are interested in small-cap venture capital stocks, especially those who prefer to invest in safe blue-chip stocks and stable companies that have stood the test of times and possess considerable assets, thus solidifying their positions. Still, even in the lowest rung, you may be able to find some small-cap stocks with great growth potential.

The risk factor of investing in a small-cap company may not necessarily be as high as you think. Of course, compared to billion-dollar companies with valuable assets, many such companies might appear "fragile." But you can analyze them on the same merits, check their balance sheets, and run them against your personal risk metrics to see if they fit the bill.

Two such companies are **Metalla Royalty & Streaming** (TSXV:MTA) and **Hamilton Thorne** (TSXV:HTL).

A golden company

Metalla is a Vancouver-based company that was founded in 1983. It has a market cap of just $273 million and has recently started trading on **NYSE American**, a junior exchange designed for small-cap and growing companies. It's a metal royalty and streaming company, not a pure mining company, and is thus less exposed and more profitable (at least in theory).

The company aims to garner its shareholders' exposure to gold and silver through a diversified portfolio of royalties and streams. The strategy has worked well so far, at least when we look at the capital growth the company produced for its investors.

From about $2.5 a share in June 2017 to $7.85 per share at writing, the company has returned over 250% to its investors. The stock has already recovered from its fall in March.

It also pays dividends, though the yield is merely 0.27% for now. The company has minimal debt ($4.5 million), and its assets are over 13.8 times its total liabilities.

A precision laser company

With a price of just $1.22 per share, Hamilton Thorne is practically a penny stock. Its headquarters are in Massachusetts, U.S. Just 13 years old, its core business is designing and developing precision laser devices and advanced image analysis systems for stem cells and other biological research.

The company offers a wide range of products that includes clinical and research lasers, microscopes, incubators, air purification systems, imaging systems, and their consumables and accessories.

Compared to its rapid five-year growth, the growth in the last three years has slowed down a bit, resulting in a compound average annual growth rate (CAGR) of just 7.94%. But the company has steadily been growing its revenues.

Between 2015 and 2019, the yearly revenue increased from USD$9 million to USD$35.4 million. The gross income, EBITDA and gross profits have also been steadily growing. Hamilton's total assets are three times its total liabilities.

Foolish takeaway

Hamilton and Metalla are two very different stocks in terms of growth, dividends, and business model, but both companies look well poised for future growth and may have bright long-term prospects.

So if you are looking for cheap and low cap stocks that you might stick with for a while, then these two deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Tech Stocks

TICKERS GLOBAL

1. TSX:HTL (Hamilton Thorne)

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