3 Small-Cap TSX Stocks Under $1 That Are Ripe for a Turnaround

Description

Low-priced stocks carry several risks for investors. They underperform the broader markets in a downturn and are highly volatile. However, these small-cap stocks can also be a source of ideas for investors looking for dirt-cheap bargains and turnaround situations. When markets rebound, these small, obscure, and often ignored companies surge significantly higher.

Here, we look at a trio of small-cap stocks that have the potential to grow your wealth multifold over the next decade. Investors with large risk appetites can consider adding these stocks to their TFSA portfolio.

A high-growth betting stock

The first Canadian small-cap stock on the list is **Score and Gaming** (TSXV:SCR). This company creates digital products for sports fans. Score and Gaming has a mobile application that provides sports news as well as comprehensive coverage of every major league, team, and player in the U.S.

On June 30, the company announced a partnership with Major League Baseball (MLB). According to the multi-year agreement, Score Media will have access to MLB's official data that can be used for its mobile betting application, theScore Bet.

Score Media is, in fact, the first betting company in North America to launch a mobile sportsbook. The company's betting platform first started in New Jersey and is now eyeing expansion in Colorado and Indiana, subject to approvals. It's also focusing on the eSports vertical that provides news on competitive video games and players.

Score Media stock is trading at $0.75 and is up 168% since it bottomed out in March this year. With the U.S. economy reopening, sports leagues will be back in action, which will be a significant driver of the company's top line in 2020 and beyond.

This small-cap stock has a rapidly expanding addressable market

Drone Delivery Canada (TSXV:FLT) is the second company on our list. The stock is trading at $0.88, which is 76% above its 52-week low but 25% below its 52-week high. Drone Delivery is part of a high-growth market, and its first-mover advantage has the potential to create massive investor wealth.

This hardware technology company provides a drone logistics platform for commercial enterprises including restaurants and pharmacies. According to a Goldman Sachs report published last year, the drone delivery segment was expected to reach $100 billion in 2020.

Drone Delivery Canada is focused on developing a delivery solution that is not only cost effective but also scalable. It is collaborating with several clients on pilot projects, and this growth stock should be on the radar of most investors.

Analysts expect company sales to reach $3.56 million in 2020. Given its market cap of $156 million, Drone Delivery stock is trading at a forward price-to-sales ratio of almost 44. While this might seem sky-high, investors should note that FLT is forecast to increase sales by a massive 457.6% to $19.85 million in 2021.

A cannabis giant

The third and final company on our list is Canada-based cannabis giant **Hexo** (TSX:HEXO)(NYSE:HEXO). Hexo stock is trading at $0.99, which is 90% below its record highs.

Earlier this week, BMO Capital analyst Tammy Chen upgraded Hexo stock from “underperform’ to “market perform.” The analyst also assigned a 12-month price target of $1.30 for the stock, which indicates an upside potential of 30% from current prices.

Similar to most other cannabis companies, Hexo continues to grapple with structural issues, including low liquidity and mounting losses. The company’s number of shares outstanding has been diluted by 75% since the start of 2020 as it continues to raise cash.

However, Hexo remains one of the top players in the cannabis space and continues to focus on expansion. It recently received a license from Health Canada for its two million square-feet production capacity in Belleville, Ontario. This licence will help the cannabis giant produce close to 150,000 kg of cannabis annually.

In its most recent quarter, Hexo’s sales rose over 100% to $30.1 million, while its net loss fell from $23.2 million to $20.7 million. The company’s improving metrics sent the stock higher post its Q3 results.

The bottom line

As stated above, investing in small-cap stocks carry certain risks. You can view these companies as a starting point for more research and identify similar stocks on the TSX. Low-priced stocks are fickle beasts, so investors should tread with caution.

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