Got $1,000? 2 Tiny TSX Stocks that Could Soar Higher in 2021

Description

Small-cap stocks generally outperform large-caps in bullish markets. The recent rally has not been different. The **TSX Composite Index** is up almost 60%, while the TSX Small-cap Index has soared 107% since their respective March lows.

Here are two small-cap TSX stocks that still have some steam left.

Major Drilling International

Major Drilling International Group (TSX:MDI) stock has been a significant outperformer in 2020. It has soared 220% since its pandemic-lows and is currently trading at $7.5.

Major Drilling is a $600 million company that provides specialized drilling services to the mining industry. Specialized drilling includes deep-hole drilling, high altitude drilling, and directional drilling which makes new mineral reserve deposits approachable.

Major Drilling generates a majority of its revenues from gold mining. Gold prices reached new highs this year and are still riding higher on the positive outlook. Interestingly, many gold miners have announced higher capital spending for 2021, which is a big positive for Major Drilling. Copper prices are also heading north and will likely benefit the company next year.

The mining sector as a whole has been reeling under pressure for the last few years, but Major Drilling managed a decent top-line growth in this period. As the pandemic wanes and economies recover next year, mining activities will likely ramp up.

For the first half of fiscal 2021, Major Drilling reported earnings of $0.11 per share against earnings of $0.17 per share in the same period last year. The stock looks a tad expensive from the valuation standpoint, but higher yellow metal prices could continue to push the stock higher.

Conservative investors can enter the stock with caution. Major Drilling stock has seen enormous ups and downs over the years. Although it indeed has higher growth prospects, smaller size, prolonged pandemic, and volatile metal prices make it a relatively risky bet.

goeasy

A $1.4 billion alternative financial services company **goeasy** (TSX:GSY) is another pick from small-caps for 2021. It provides loans to subprime borrowers and rents furniture. The stock has surged 320% since its pandemic lows and still looks attractive.

The year 2020 has been all about wearing masks and staying at home. The savings have already reached a record high this year with lower avenues to spend and robust government aid. With the pandemic's end in sight, the year 2021 will likely see pent-up demand.

As economies re-open and mobility restrictions ease, goeasy will see higher demand for loans. It has already started seeing higher loan originations and improved re-payments. The trend can continue or rather pick up next year, which will likely accelerate goeasy's earnings growth.

Despite being in a risky industry, goeasy has managed significant growth in the last two decades and has created generous wealth for its shareholders. It has returned a mind-boggling 10,170% in this period, including dividends. If you invested $10,000 in goeasy stock in 2000, you would be sitting on $1,027,737 today.

A high growth potential, decent dividends, and attractive valuation make GSY stock nothing short of a steal.

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