2 TSX Stocks That Can Gain 50% in 2021

Description

Please allow me to be crystal clear from the very beginning — stocks that can appreciate in 2021 are riskier.

First, the **TSX** market has already more than recovered from the pandemic market crash last year. In fact, it has made new heights. So, stock valuations in general are much higher.

Second, a 50% gain on these stocks would be an extraordinary outperformance, seeing as the average long-term market returns are less than 10%.

Because of the extra risk you're taking for the potential of much higher returns, size your positions accordingly and don't bet the farm on these stocks.

With that on your mind, let's explore two TSX stocks that could gain more than 50% in 2021.

Small-cap stocks

It appears super easy for small-cap stocks that are growing fast to double in any market. For example, **WELL Health** (TSX:WELL) stock more than tripled in 2019 and five times its shareholders' money in 2020. That's a cumulative gain of 1,690% from the start of 2019 to the end of 2020!

As a company that's digitizing the Canadian healthcare industry with triple-digit revenue growth and expected to turn a profit soon, it has good potential to appreciate 50% in 2021.

Specifically, WELL Health's last 12-month revenue growth and earnings-per-share growth were 262% and 141%, respectively. Moreover, it has been steadily expanding its gross margins, which stood at 39% in the last 12 months.

You can even potentially double your money in WELL Health with a holding period through at least 2022.

The key to double, triple, or even 10 times your money in small-cap stocks is to find the high-potential winners early. Filter through the TSX Venture exchange for more small, growth stock ideas. If you want clearer advice, you should consider signing up for a service like Motley Fool Canada's *Hidden Gems*, when it becomes available.

Pandemic-impacted stocks

Some pandemic-impacted stocks like **H&R REIT** (TSX:HR.UN) can also gain 50%. The diversified real estate investment trust (REIT) is about 40% below its 2020 high.

As you can guess, the most impacted part of H&R REIT's portfolio is its retail assets. Some tenants have filed for creditor protection while others have closed their stores. Thankfully, its diversified portfolio across office, industrial, and residential properties were defensive against the lower rent collected from its retail portfolio during the pandemic.

Specifically, in the first nine months of 2020, H&R REIT's funds from operations (FFO) only declined by 5%. This combined with a 50% cash-distribution cut in May leads to a safe and juicy dividend yield of 5.6% at the recent quotation.

A big decline in its share price, resilient cash flow generation, and a forward AFFO payout ratio of about 50% implies the potential for H&R REIT to rise 50% in 2021 on the backdrop of a normalized economy after the pandemic.

The Foolish takeaway

WELL Health and H&R REIT are good stock candidates that could gain 50% this year. With a longer-term investment horizon, the likelihood of gaining 50% on the investments is even greater.

WELL Health requires time to transform our traditional healthcare industry. For H&R REIT, once the pandemic is put behind us, the weight will come off of the high-yield stock, and it will soar.

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