Canadians: These 2 Top Stocks Got Hit Way Too Hard in Wednesday's Sell-Off

Description

All it took was one day, and the stock market is now down for the year. Wednesday's nasty sell-off caused the **TSX Index** and the **S&P 500** to shed 2% and 2.6%, respectively. There's no telling if the big daily dip is the start of a correction or a gift courtesy of Mr. Market. If you're like many Canadians who've yet to contribute to or invest with your 2021 TFSA contribution, now is as good a time as any to at least put some of it to work in the names that sold off hardest on Wednesday's trading session.

In this piece, we'll have a look at two hard-hit TSX stocks that led Wednesday's downward charge but are worth picking up if you're looking to capitalize on Mr. Market's inefficient moves. Now, I'm not ready to call a bottom in any of the names presented in this piece. But I think after Wednesday's excessive damage that there may be value to be had by taking on the role of a contrarian. So, if you are keen on buying any of the names presented in this piece, consider taking on a partial position as you look to add to it on dips if we are, in fact, in the midst of the market correction that numerous sell-side analysts have been warning of in recent months.

Without further ado, consider meal-kit delivery kingpin **Goodfood Market** (TSX:FOOD) and out-of-favour toymaker **Spin Master** (TSX:TOY), which fell 12.6% and 6.1%, respectively, in Wednesday's brutal session.

Let's have a closer look at each to see which, if any, is worth buying on the recent dip.

GoodFood Market: A grocery play for Canadians

GoodFood stock had an incredible run last year, as the pandemic caused many Canadians to embrace the meal-kit delivery service to minimize trips to the grocery store. The stock surged nearly 600% from its March trough to its January 2021 peak, making Wednesday's brutal 12.6% decline more of a blip in the grander scheme of things.

With the pandemic's end now in sight, investors should be wary over a potential wave of Goodfood subscribers that could hit the pause button en masse. The value proposition to be had with meal kits is far greater amid a pandemic than it is during times of normalcy. As such, investors should brace themselves for a potential post-pandemic plunge in sales. That said, I wouldn't discount management's retention abilities and would look to accumulate shares on any weakness if you're a believer in management.

The stock isn't that expensive at 3.1 times sales, but do be mindful of the fading of Goodfood's pandemic tailwinds over the next 18 months.

Spin Master: A solid toymaker at a discount

Spin Master has been in a tailspin (sorry for the pun!) for quite some time now. I used to own shares of the name but sold out of my position following several operational hiccups that I saw no easy solutions to. The pandemic just acted as salt in the wounds of an already hurting company that was in dire need of better operational leadership. While there are numerous uncertainties with the ailing toymaker, I remain a fan of its portfolio of well-known brands, including the likes of Hatchimals and Gund.

The firm has a solid balance sheet, and it's been making the most of M&A opportunities in the toy scene. With a potential post-pandemic discretionary spending boom on the horizon, I'd strongly consider scooping up shares of the underrated mid-cap on further weakness. I'll personally be looking to re-initiate a position should shares fall below $25.

The stock trades at a mere 1.5 times sales and is a great contrarian pick that's likely to make a big comeback on the other side of this pandemic.

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TICKERS GLOBAL

1. TSX:FOOD (Goodfood Market)
2. TSX:TOY (Spin Master)

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