TFSA Investors: 2 Stocks Under $4 That Could Lead to Big Gains in 2021 and Beyond

Description

If you're a long-term investor, then penny stocks are not the answer. They are a risky business, and while you might see some strong returns, these smaller-cap stocks are not great for your Tax-Free Savings Account (TFSA). You can't buy and trade on a whim with the TFSA, so if you buy up penny stocks and they crash, you're pretty much out of luck.

But just because you don't invest in penny stocks doesn't mean you can't invest in cheap stocks. In fact, there are plenty of TSX stocks that have both strong fundamentals as well as a strong growth trajectory.

Of course, it can take a lot of work to dig out those diamonds in the TSX rough. Fortunately, you're at the Fool, and we've done that dirty work for you.

theScore

While electric vehicles and e-commerce have taken over the headlines, gaming has been the quiet winner of 2020 and into 2021. The gaming industry exploded in the last year. **Score Media & Gaming** (TSX:SCR) is a company with a $1.4 billion market capitalization and has recently moved into this world of gaming and sports betting.

Its recent earnings show just how much this company has grown, with year-over-year handle growth of 535% and the best-ever year for media revenue. What's great is that the company is only in the beginnings of expansion into this booming industry. So, investors should have a lot to look forward to when it comes to growth from this stock. It even hinted on entering the U.S. stock exchange.

Shares are up 344% in the last year alone, but the stock still trades at about $3.50 per share as of writing. While its enterprise value over sales (EV/sales) is a high 71.7 at the moment, that could change very soon, as the company continues its expansion.

StorageVault Canada

Boring is good. In fact, boring is great. That's because it's predictable, and that's what makes **StorageVault Canada** (TSXV:SVI) such an amazing company. Self-storage has been around for decades and will remain for decades. As fellow Fool writer Joey Frenette has stated, that's because it depends on the Four Ds: "death, divorce, downsizing, and dislocation."

The company is so strong it could almost be considered a real estate investment trust (REIT), collecting rents from people who just need to store stuff, with 202 storage locations as of writing. This gives it insane free cash flow with so little costs. And when it comes to affordability, shares remain at around $4 with a EV/sales of 17.1 from this company with a $1.45 billion market capitalization. All of this makes it an incredibly low price to pay for stability and growth.

The company's recent earnings tell the tale. It saw a year-over-year increase in revenue of 3% and a 4% increase in net operating income (NOI). It also closed the acquisition of a $220 million purchase of assets. The company also increased its dividend by 0.5% to 0.27%. Shares are up 6.45% in the last year alone but up 484% in the last five years for a compound annual growth rate (CAGR) of 96.8%!

Foolish takeaway

You don't have to be risky to be cheap. Investing in these stocks under $4 will still give you the stability you want as well as the returns. By popping these in your TFSA, you can be sure you can hold onto these stocks for decades and see similar returns to what you would expect from any other great TSX stock.

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