



## 1 Top Under-\$5 TSX Stock to Buy in June 2021

### Description

If you've only got a modest amount of capital to invest in June 2021, you may be tempted by the numerous under-\$5 TSX stocks out there. While there's nothing wrong with buying low-dollar amount stocks, I think that many beginner investors are [chasing](#) them for all the wrong reasons. The low price of a stock may be indicative of a micro- or small-cap stock with more room to run versus the likes of the top mega-cap blue chips we all know and love, but what growth chasers are really after is a stock's market cap.

Lower market cap stocks like small or mid-caps can allow you to punch your ticket to a shot at outsized gains, but the smaller the market cap, the riskier or more volatile such names tend to be. There are benefits of investing in small-cap names like those TSX stocks priced at under \$5, though. Such names tend to be thinly traded than their larger counterparts. In essence, that means Mr. Market may not be as efficient in pricing a smaller-cap stock at a range close to its intrinsic value.

### Don't go chasing penny stocks: Insist on quality small caps instead!

The "efficient market" folks seem to think that excess risk-adjusted returns (or market-beating returns) aren't possible consistently over a long-term horizon. By insisting on the less-efficient areas of the market (smaller-cap stocks), you can improve your chances of putting the broader TSX Index to shame over a prolonged period of time. But do please watch out, as extreme levels of volatility may not be every investors' cup of tea.

Moreover, I wouldn't advise any investor to speculate on penny stocks, which can be ridiculously hard to evaluate. What draws the line between a penny stock and a solid small cap? I like to draw the line at \$100 million market cap.

In this piece, we'll have a look at one of my [favourite](#) under-\$5 TSX stocks with a market cap that's well north of the \$100 million mark. Without further ado, consider **Fire & Flower Holdings** ([TSX:FAF](#)), which trades at just \$1 and change at the time of writing. The company boasts a mere \$256 million

market cap yet generates an impressive \$128 million in revenues over the past year.

## Fire & Flower: An under-\$5 TSX stock with impressive growth

Fire & Flower is a budding cannabis retailer that's firing on all cylinders, with an omnichannel presence that's probably to the envy of most other pot shops popping up around town. The cannabis retail scene is getting pretty crowded, with many people looking to cash in on the so-called Cannabis 2.0 boom with edibles, drinkables, oils, and all the sort that sell at a higher margin than just dried bud. And it's not just Flower's strong digital and physical presence that makes me bullish on the stock; it's the partnership it has with **Alimentation Couche-Tard**.

Few managers know retail like the folks at Couche-Tard. And with reports that the Flower-Couche venture is going really well, I think that Couche will, in due time, acquire Fire & Flower outright. The stock is way too cheap at these levels. Even if Couche doesn't continue upping its investment in the pot play, which seems to complement Couche's Circle K quite well, I still think FAF stock is a steal at just two times sales.

More recently, Fire & Flower opened its first two stores in Vancouver, bringing its total store count to 87. As Fire & Flower continues growing its store count while leveraging foot traffic of Circle K at specific locations, I think the firm could grow to be one of the most dominant players in pot retail — an underrated segment of the cannabis market that should no longer go ignored.

### CATEGORY

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