



## 2 Top Small-Cap TSX Stocks to Buy

### Description

Investors looking for [Canadian growth stocks](#) that can provide them with substantial long-term returns often seek opportunities among small-cap TSX stocks, because they can offer greater growth potential than [large-cap equity securities](#).

The potential for more significant returns comes with the drawback of more capital risk. Stock market investing inherently entails a certain degree of risk to your investment capital, but large-cap stocks offer more stability by boasting wider economic moats to weather challenging market environments.

Small-cap stocks do not have the financial flexibility to face downturns as well as more well-established companies. However, the right high-quality, small-cap stocks could even be considered leaders in their niche industries and often offer stellar shareholder returns through more rapid growth.

If you want to diversify your portfolio and add small-cap stocks to it, here are two small-cap TSX stocks you should consider adding to your portfolio.

### Goodfood Market

**Goodfood Market** ([TSX:FOOD](#)) is a \$329.25 million market capitalization company that operates in a niche that is becoming increasingly popular. It is no secret that homecooked meals are healthier and provide you with a more cost-effective way to get the nutrition you need than by going out. Meal kit providers offer the convenience of eating ready-made meals and the cost-effectiveness and health benefits of homecooked meals.

Goodfood Market is the top company in Canada providing meal kits, offering a wide selection of affordable and healthy meals. The company's performance this year has not been as great as many investors might have wanted it to be. The stock is trading for \$4.39 per share at writing, down by a staggering 40% in the last three days of trading.

However, the downturn was expected after the stock put up posted unreasonably high gains. Investing in the stock after its share prices normalize could be worth your while for long-term gains.

## High Liner Foods

**High Liner Foods** ([TSX:HLF](#)) is a \$476.86 million market capitalization frozen-food processing and marketing company that has been around since 1899 and has extensive operations in Canada, the U.S., and Mexico. Considering the fact that it has been operating for over a century and its wide customer base, it seems odd that it is still a small-cap company.

The last few years have seen the company's share prices boom. Despite the pandemic-fueled growth, High Liner Foods stock is trading for a considerable discount from its all-time highs in 2016. At writing, the stock is trading for \$14.26 per share. The stock is up by over 30% in the last 12 months, but it is still trading for an over 45% discount from its 2016 highs.

It could be the right time to invest in its shares, as the company's valuation slowly begins to recover to higher levels.

## Foolish takeaway

High Liner Foods stock and Goodfood Market stock are relatively well-established businesses within their industries and boast financial stability. The two companies might do well as a part of your portfolio by providing you with stellar [long-term shareholder returns](#) through capital appreciation.

### CATEGORY

1. Investing

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1. TSX:FOOD (Goodfood Market)
2. TSX:HLF (High Liner Foods Incorporated)

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**Date**

2025/07/19

**Date Created**

2021/11/22

**Author**

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