



2022's Top Small Caps on the TSX: Are They Buys Today?

Description

2022 was a rough year for Canadian stocks, with most losing value throughout the year. There were only a handful of non-energy stocks on the TSX that managed to gain value through 2022 and even fewer small-cap stocks.

A [small-cap stock](#) is defined as any company with a market cap between \$250 million to \$2 billion. Therefore, many of these stocks are still relatively new, up-and-coming businesses.

And because the majority of small-cap stocks are still in the growth stage and don't quite dominate their industries or sectors yet, there is far more risk in investing in these companies as opposed to larger, more established [blue-chip stocks](#).

The fact that some of these companies earned impressive returns through 2022, when the TSX lost over 8%, shows how well these stocks have been performing.

Let's look at two of the best-performing small-cap stocks on the TSX in 2022 and whether they continue to offer an attractive buying opportunity today.

A top biopharmaceutical stock with significant growth potential

One of the top-performing small-cap TSX stocks in 2022 was **BELLUS Health** ([TSX:BLU](#)). There is a tonne of excitement and anticipation for BELLUS, as it continues to move through the clinic stages to approve its lead product candidate, BLU-5937.

BLU-5937 is an oral therapy designed to reduce cough frequency in patients with refractory chronic cough. So far, BELLUS has completed its Phase II trial and is focused on moving forward and initiating its Phase III program. The stock is also exploring using BLU-5937 in other patients that experience cough hypersensitivity.

It's crucial to note, though, that as much potential as BELLUS has, the stock is also extremely risky due to it being in such an early stage.

At this point, BELLUS has almost no sales, and therefore the direction of the share price will depend heavily on the outcomes of its future trials.

With that being said, though, if you have a high tolerance for risk and a long-term investing horizon, BELLUS could offer significant growth potential. Right now, the three analysts that cover BELLUS all rate it a buy, and its average analyst target price sits at over \$26.50. That's a premium of roughly 140% from its current market price.

Therefore, if you're looking to buy one of the highest potential small-cap stocks on the TSX, BELLUS is one of the best high-risk, high-reward stocks to consider.

A top small-cap stock to help protect your capital in 2023

While BELLUS managed to gain value in 2022 as a high-risk stock, another small-cap TSX to consider if you're looking for a lower-risk stock is **North West Company** ([TSX:NWC](#)).

North West is a consumer staple stock that operates a portfolio of supermarkets and grocery stores, mostly in remote regions in northern Canada and Alaska.

Because North West is a consumer staple, one of the most defensive industries there is, it makes sense that the stock rallied and gained value, as the economic environment worsened.

The company sells essential goods such as food and other household products. Therefore, not only can North West expect fewer impacts on its sales than a discretionary business, but it can also pass on cost increases to its customers easier without having to worry about the impact on its business.

Plus, in addition to the fact that it's a consumer staple stock, North West also has incredible operations with impressive verticals. This allows it to earn strong profit margins, which, in turn, makes its dividend ultra-safe.

Today, the stock trades just over 5% off its high, and its dividend offers a [yield](#) of roughly 4.25%. Furthermore, the stock currently trades at a forward price-to-earnings ratio of just 13.8 times, which is below its five-year average of 15.1 times.

So, if you're looking for a high-quality, small-cap stock on the TSX, North West is an ideal investment to both protect and grow your capital in this market environment.

CATEGORY

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1. TSX:BLU (Bellus Health)
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Date

2025/07/19

Date Created

2023/01/06

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