



3 Small Caps up Over 60% YTD

Description

Investing in companies with smaller market capitalizations involves [the assumption of greater risk with the potential of greater reward](#). Due to their size, small caps are prone to volatility and uncertainty.

This article will examine three small caps that have delivered huge returns and seen their share prices increase by 60%, or more, year to date.



Horizon North Logistics (TSX:HNL)

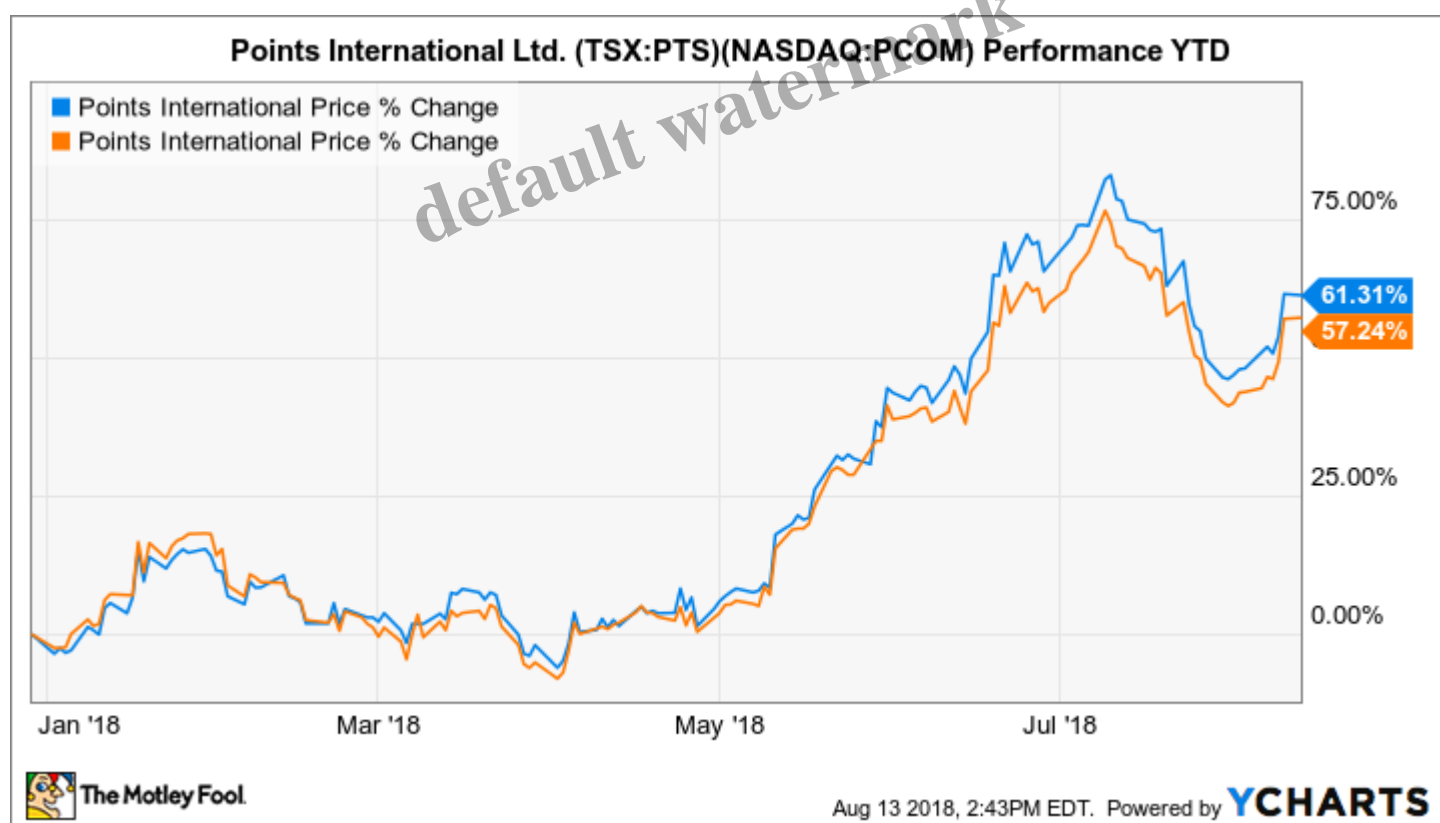
With a market cap of over \$400 million, Horizon is the largest of the companies discussed in this article.

Horizon operates in two segments: industrial services and modular solutions. The company's industrial services segment, the larger of the two, principally offers lodging and rental matting. The smaller segment of Horizon's business engages in modular construction and recently got a boost with the acquisition of Shelter Modular in April.

As Horizon's modular business picks up, it stands to benefit from further diversification away from reliance on services to the oil and gas sector. In the first half of 2018, just over 30% of the company's revenue was generated by its modular business — more than double the year prior.

The company is reasonably valued and trades at a price-to-book ratio of roughly 1.2. Horizon pays a quarterly dividend of \$0.02 for an annualized yield of around 3.2%.

Analysts are largely constructive on Horizon, with those from TD Securities and National Bank setting price targets in June of \$3.75 and \$3.50, respectively. The company's stock stands to have upside of about 40%, or more, if the aforementioned targets are met.



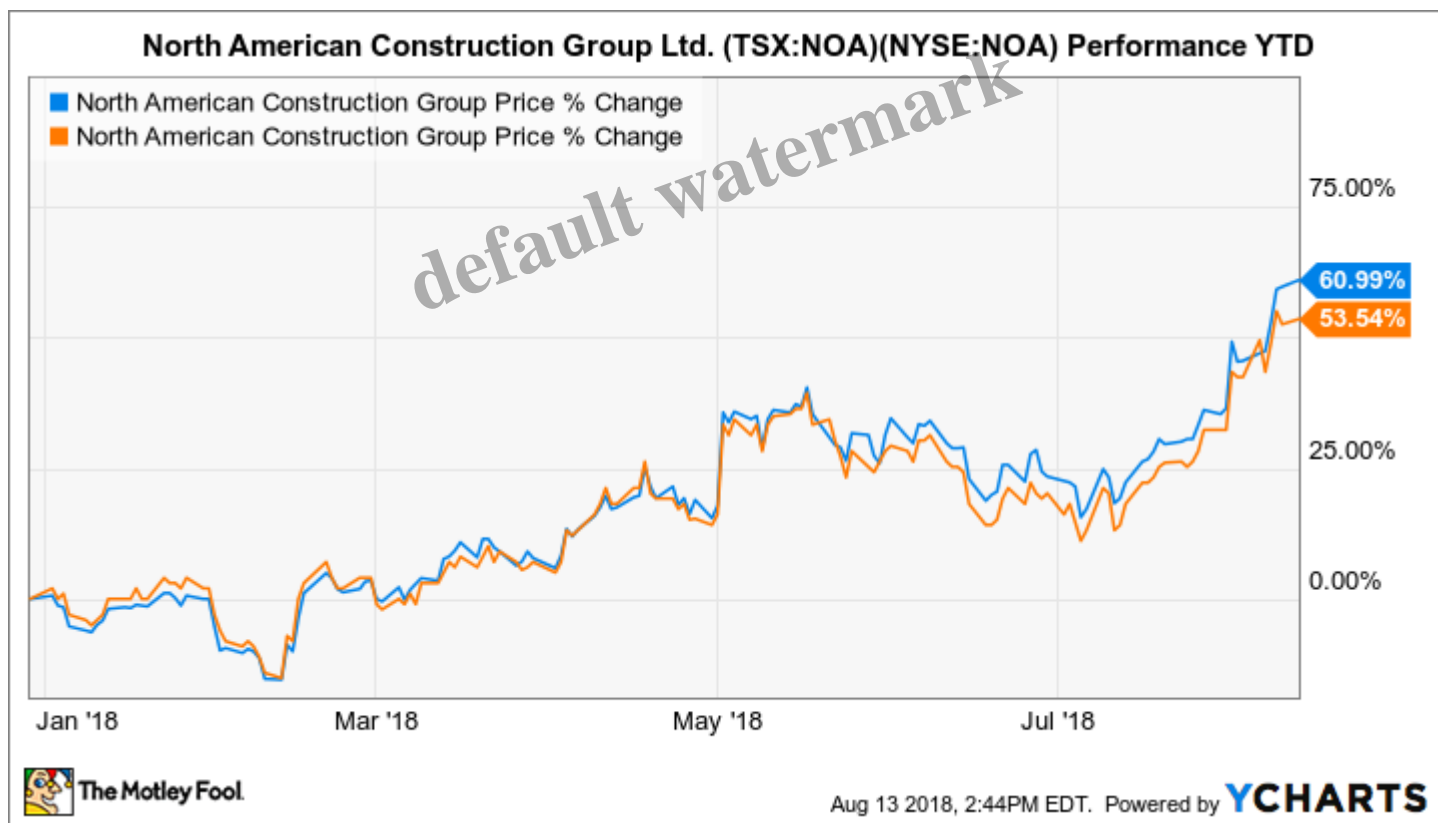
Points International (TSX:PTS)(NASDAQ:PCOM)

Points is a unique play on the industry that surrounds loyalty programs. The company generates revenues by purchasing loyalty currencies at wholesale prices and selling them to customers at retail prices. Customers often wish to buy additional loyalty currencies for the purpose of achieving certain rewards tiers or topping up their balances with the intention of redemption.

With the 2014 acquisition of Accruity Inc., Points began partnering with loyalty programs to offer hotel bookings and car rentals that allow customers to spend and earn loyalty currencies on the company's platform. Again, Points benefits from buying services at wholesale prices and also earns commissions based on its sales.

With five-year average annual revenue growth of about 20% and around US\$70 million in cash and cash equivalents, the company has found and developed a niche for its offering.

Points trades at a price-to-earnings multiple of approximately 40 and a price-to-book ratio of a little more than six. In May, an analyst from RBC Capital set a price target of US\$17, implying upside potential of just over 7%.



North American Construction Group ([TSX:NOA](#))([NYSE:NOA](#))

NOA offers heavy construction services, predominantly in mining and the oil sands. The company has active service agreements with several large oil and gas names, such as **Suncor Energy** and **Canadian Natural Resources**.

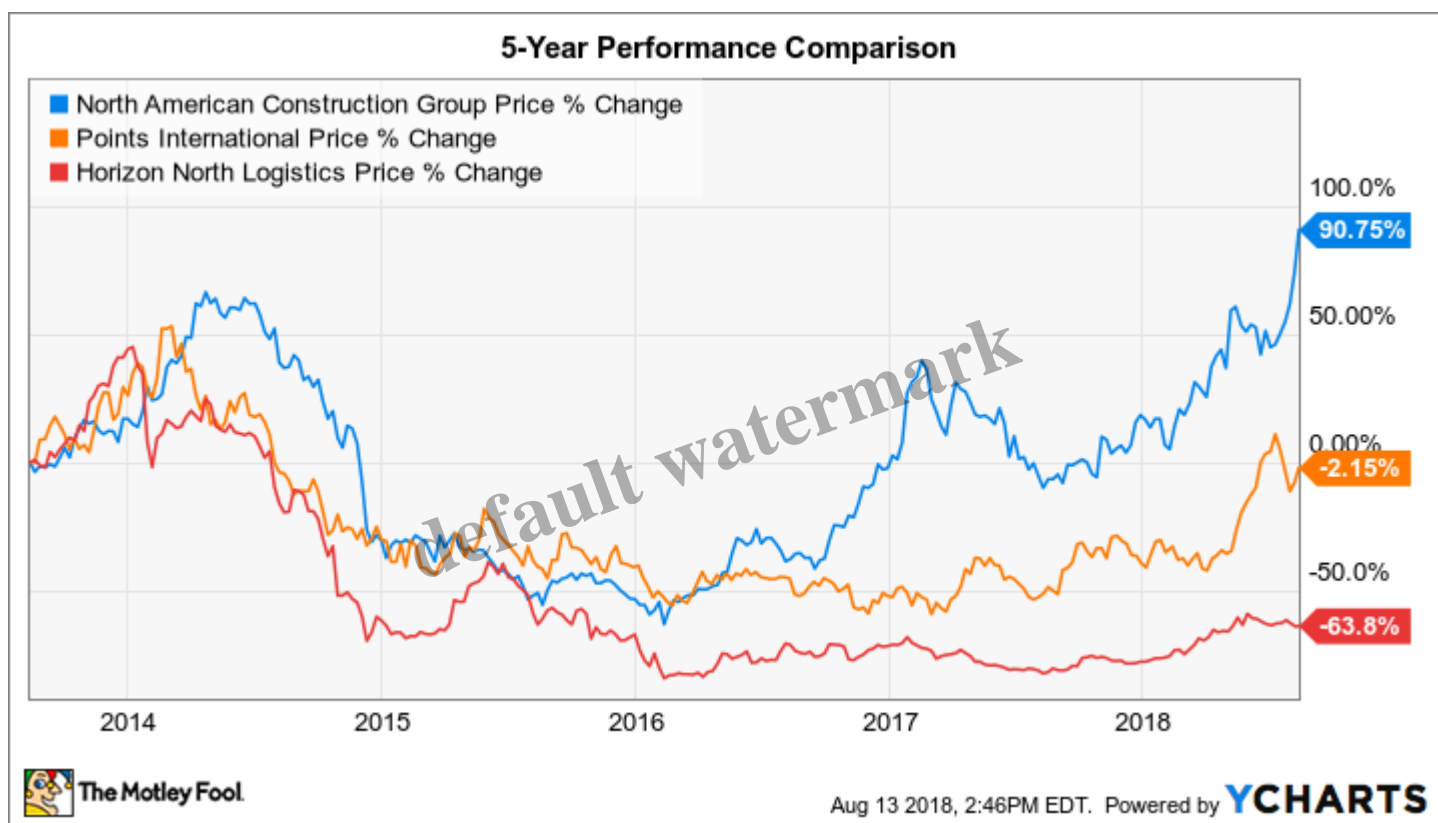
After suffering as a consequence of the oil downturn, NOA swung back to profitability last year, and its success has continued in 2018. Going forward, the company projects compound annual growth in

revenue and EBITDA of 15%, or greater, through to 2019.

In order to reduce future exposure to the price of oil, NOA is aiming to diversify its revenue base by searching for opportunities in infrastructure and the extraction of other, non-oil resources.

NOA trades at a price-to-earnings multiple of around 20 and a price-to-book ratio of about 1.6. The company offers a quarterly distribution of \$0.02, which equates to a yield of slightly less than 0.8%.

An analyst from Raymond James rated NOA “outperform” in May and set a price target of \$10, and the stock has already surpassed that figure.



Conclusion

By taking a look at the five-year performance of the securities discussed above, we get a better picture of the risk and volatility of small caps.

Small-cap stocks are not suitable for every investor, but those who can [stomach the risk can reap enormous rewards](#).

CATEGORY

1. Investing

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1. Editor's Choice

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