3 Small-Cap Stocks With Amazing "Get-Rich" Potential

Description

Massive large-cap companies like the Big Five banks and Big Three telecoms dominate the financial headlines in Canada. Because of that, Canadians often only invest in the most well-known conservative blue chips.

There's nothing wrong with that, per se. But researching and ultimately investing in much smaller stocks can also be a highly profitable move. This is because

- small-cap stocks theoretically have much more room to grow; and
- the lack of attention from Bay Street creates more "hidden" value opportunities.

So, with that in mind, here are three small-cap stocks that could potentially outperform long term. In addition to having market caps of $1 billion or below, they've all grown their sales at a solid rate over the past few years.

Gastro growth

CRH Medical (TSX:CRH) provides medical devices and services for gastroenterologists. The stock is up a whopping 81% over the past year, but with a market cap of just $400 million, CRH is still very much a baby.

In its most recent quarter, the company's operating income increased 19%, as total revenue jumped 31% to $27.3 million. And over the past five years, CRH's top line has ballooned by about *1,730%* on several key acquisitions.

With a trailing P/E of 50, the stock isn't exactly cheap. But given CRH's current operating trajectory, it might be worth paying up for.

Jet-fueled jumps

Cargojet (TSX:CJT) is in the boring business of providing overnight air cargo services in Canada. But don't let that trick you: the shares are up more than 600% over the past five years.

In Q2, adjusted operating income climbed 17% on a strong 24% increase in total revenue. Moreover, gross margin expanded 9.4% over the prior year, suggesting that Cargojet's competitive edge is widening.

The company sports a $1 billion market cap as well as a lofty P/E of 42. But with a modest dividend yield of 1.1% and a beta of less than one, Cargojet seems to have some decent downside protection — even at these elevated levels.

HOT income opportunity

American Hotel Income Properties (TSX:HOT.UN) is based in Vancouver, B.C., but it was formed to invest in hotel properties in the United States. While the stock hasn't done much over the past year, it continues to provide investors with a juicy yield: currently, it stands at a mouth-watering 9.3%.

In the most recent quarter, American Hotel's RevPAR and adjusted funds from operations (AFFO) — two key metrics in the hotel business — grew 9.5% and 37%, respectively. Management also said it expects its 2018 AFFO payout ratio to be in the low 90% range, suggesting that the monthly dividend is well covered.

With a beta of just 0.4, American Hotel is a rare small-cap stock — $700 million to be exact — that lets you sleep well at night.

The bottom line

There you have it, Fools: three small-cap stocks worth looking into. As always, they're not formal recommendations — instead, view them as a jumping off point for further research.

Small caps can burn especially badly if you don't do your homework.

Fool on.

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