



3 Incredible “Mighty Mouse” Stocks to Buy Right Now

Description

Hi there, Fools. I’m back once again to feature three attractive stocks with market caps below \$1.5 billion — or, as I like to call them, my top “Mighty Mouse” plays.

For inquiring minds, I do this because small-cap stocks have [much more upside](#) than more established large-cap companies; are underfollowed by Bay Street analysts; and can provide [tremendous diversification benefits](#).

While small-cap stocks tend to display higher levels of volatility, a few well-selected winners can be life-changing.

So, without further ado, let’s get to this week’s mighty mouse plays.

Absolutely attractive

Leading things off is **Absolute Software** (TSX:ABT), which currently sports a market cap of \$315 million. Year-to-date, shares of the security software specialist are up 17% versus a gain of 15% for the **S&P/TSX Capped Information Technology Index**.

Absolute has more than 12,000 customers worldwide, and that count should only keep growing. In its Q1 results released yesterday, total revenue increased 6% to \$24.3 million, with the company’s annual contract value base growing 5% to \$93.1 million. Adjusted operating margins also expanded significantly.

Absolute paid a quarterly dividend of \$0.08 during the quarter. At the current price, that translates into a solid 4.3% yield — pretty rare for a small-cap tech stock.

Death-care dynamo

Next up, we have **Park Lawn Corp.** ([TSX:PLC](#)), which has a market cap of \$540 million. Shares of the funeral and cemetery provider are up 16% over the past year, while the **S&P/TSX Composite Index** is down 5% during the same time frame.

No business is completely recession proof, but death-care comes pretty close. Park Lawn's revenue, income, and operating cash flow have grown 804%, 722%, and 100%, respectively, over the past five years. Moreover, management has doled out a dividend each month since January 2011.

Right now, the stock yields a fairly attractive 2.0%. Combine that with comforting beta of 0.4, and Park Lawn's downside seems limited.

DIRTT(y) money

Closing things out is **DIRTT Environmental Solutions** ([TSX:DRT](#)), which sports a market cap of \$600 million. Over the past six months, shares of the interior construction company are up 11% versus a gain of 4% for the **S&P/TSX Capped Industrials Index**.

The stock surged last week on strong Q3 results. During the quarter, adjusted operating income surged 65% as revenue increased 15% to \$96.6 million. More important, operating margin expanded 560 basis points, suggesting that management remains fiscally disciplined even amid rapid growth.

With a beta of 2.2, DIRTT shares are more than two-times as volatile as the overall market. But as long as you can stomach the stress, DIRTT's long-term upside is quite attractive.

The Foolish bottom line

There you have it, Fools: three small-cap stocks with the potential to deliver big returns.

Of course, they aren't formal recommendations. Instead, look at them as a jump-off point for further due diligence. Smaller companies usually come with a higher level of risk, so it's extra-critical to do your homework.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABST (Absolute Software)
2. TSX:DRT (DIRTT Environmental Solutions Ltd.)
3. TSX:PLC (Park Lawn Corporation)

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