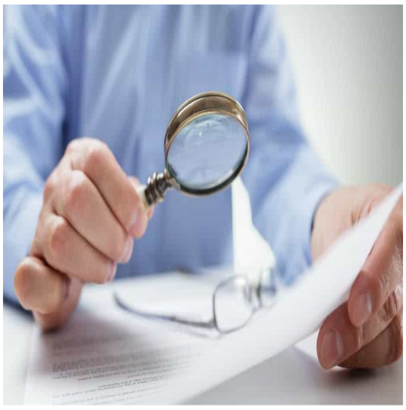

2 Small Caps: Which Is a Better Buy?

Description

Small-cap stocks can spice up the growth of your portfolio with their relatively small size and typically higher-growth characteristic. However, just like buying large-cap companies, investors need to understand the underlying businesses and decide if they're good long-term investments or not.

Let's take a look at these small caps, including **Jamieson Wellness** (TSX:JWEL) and **ZCL Composites** (TSX:ZCL).

Jamieson Wellness

Jamieson Wellness manufactures, distributes, and markets branded natural healthcare products, including vitamins, minerals, and supplements.

It is a number one in Canada with a market share of 25% at food, drug, and mass stores, such as Superstore and London Drugs. The company also sells in 39 other countries.

It has been experiencing high growth, partly because it's acquisitive and innovative. Last year, it launched 83 new products across different categories, including protein bars, remedies for colds, and more.

Michael Pilato, who formerly served as general manager and president of **Clorox** Canada, joined as president of Jamieson Wellness last month. During his time at Clorox, he led to unprecedented growth across the household products, natural health, and personal care categories. So, he should be an excellent addition to Jamieson Wellness.

The growth stock has corrected about 18% from its 52-week high to $22.20 per share as of writing, which implies a 2018 estimated price-to-earnings multiple of about 25.5, while some analysts believe it will grow its earnings per share by about 17% per year. So, the company is decent for interested investors to begin buying here.

Jamieson Wellness will be reporting its quarterly earnings after the market closes today. So, interested investors might decide to review its recent results before considering buying.

ZCL Composites

ZCL manufactures and distributes fiberglass-reinforced storage tanks. Its core business provides underground storage tanks that store gasoline and diesel fuel for North American retail outlets.

ZCL's corrosion-resistant tanks are environmentally friendly and are ideal for storing fuel, water, wastewater, and oil and gas. Fuel is its biggest market. The company has seven manufacturing plants: two in Canada, four in the U.S., and one in The Netherlands.

The stock has been cut nearly by a half in the last 12 months, driven by sales and profit declines. In the first nine months of the year compared to the same period in 2017, revenue fell 7% to $128.4 million, gross profit fell 22% to $22.9 million, diluted earnings per share fell 22% to $0.31, and adjusted EBITDA fell 28% to $15.8 million.

Management pointed out the key issue was declining margins, and that they are developing a profit improvement plan to improve margins to its historically strong levels of 2014 through 2017 by 2020.

The company maintained its quarterly dividend for December. However, if the business doesn't turn around soon, there's the danger of a dividend cut.

Investor takeaway

Although ZCL's dividend yield of +8% looks appetizing, it can cut its dividend if the business doesn't turn around soon. So, investors should consider ZCL as a potential turnaround investment instead of a dividend investment.

Jamieson Wellness is a better idea for growth. If the stock price fell a couple more bucks, it'd be an even more attractive opportunity.

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Date
2025/08/27
Date Created
2018/11/06
Author
kayng