3 Superb Small-Cap Stocks Poised to Pop

Description

Regardless of their tolerance for risk, many retail investors gravitate toward the names with which we are all familiar; they put their money in the big banks, the big telecoms, and the big tech companies.

That being said, small-caps tend to outperform their bulky peers over the long term, because they are still in the most robust stage of their growth.

Let's take a look at several intriguing smaller players that have recently felt selling pressure, but are due to rebound strongly as sentiment improves and they revert to their normal trading ranges.

Altus Group (TSX:AIF)

Through two segments, Altus Analytics and Altus Expert Services, Altus delivers an array of information services to the commercial real estate industry. The company's technology leverages big data to deliver benchmarking and a unique perspective to its clients.

With a market capitalization of nearly $1 billion, Altus is by no means tiny and serves many of the largest companies in the global commercial real estate industry. Still, the company is small enough that it has great growth ahead of it.

Looking at Altus's performance from 2013 to 2017, the company delivered impressive numbers — growing revenue and EBITDA, each at a compound annual growth rate of roughly 10%.

On November 7, however, Altus reported disappointing results; adjusted earnings per share for the third quarter fell just over 35%, while basic earnings per share show the company running a loss.

The reality is that sometimes even good companies have a bad quarter, and Altus remains a growth story. The third quarter featured revenue growth of 3%, the acquisition of Taliance Group, and forward-looking optimism from management.

While Altus shares are currently trading near their 52-week low, it would only take some encouraging results in a future quarter for the stock to be back to flying high. While investors wait for the market to warm back up to Altus, they will collect a quarterly dividend of $0.15, which works out to a yield of around 2.4%.

Richelieu Hardware (TSX:RCH)

As a manufacturer, importer, and distributor of a broad selection of specialty hardware products, Richelieu provides its clients with a vast product catalogue to suit a wide variety of renovation and construction needs.

The company has grown steadily over the past five years, achieving average annualized growth in revenue, earnings, and book value, in excess of 10%. For the first nine months of 2018, Richelieu has posted slower growth than previous years with earnings per share increasing by less than 4%.

Around this time last year, Richelieu shares traded hands at just over $35; now they can be bought for about $26.

This may not have been a great year for Richelieu, but it remains a well-managed business with a history of effectively integrating acquisitions. With continuous share buybacks and a steadily increasing dividend that now yields around 1%, investors have a lot to look forward to once the stock's long-term upward trend resumes.

CES Energy Solutions (TSX:CEU)

Despite being the smallest of the three companies covered in this article with a market capitalization of around $800 million, CES is among the largest oilfield chemical companies in North America.

Just as they did during the slump in the price of oil in 2014 and 2015, CES shares have recently declined in line with the price of crude — the company's share price is nearly half of what it was last year.

In the face of commodity weakness, CES reported a record third quarter on November 8, which saw revenue jump roughly 30% alongside high single-digit EBITDA growth.

Continuous development of North American energy infrastructure bodes well for CES in the long term, and any renewed strength in the price of oil would quickly send the share price back to previous levels. In the meantime, investors can collect the company's monthly dividend of $0.005, which represents a yield of just over 1.8%.

Conclusion

Small caps frequently experience volatility, but these bouts of price action create opportunities for investors to buy tremendous growth at less-lofty valuations than usual. There is incredible upside potential to be had in the stocks discussed above once the fickle market turns positive once more.

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