

## These 3 Small-Cap Tech Stocks Are Diamonds in the Rough

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is Canada's second-largest tech stock by market cap, and is arguably Canada's favourite tech stock. Fool contributor Prosper Bakiny [picked](#) Shopify as his top stock for 2019.

Who doesn't like Shopify? It's a fantastic business, and I recently sang its praises. However, before you bet all of your tech allocations on SHOP, you might want to consider these three stocks for a small, complementary portion.

### **Solium Capital** (TSX:SUM)

I first came across the Calgary-based company several years ago while working in the financial services industry. Recently, *The Globe and Mail* highlighted Solium as part of a stock screen for profitable tech stocks.

The company markets Shareworks, a software-as-a-service (SaaS) platform that enables companies to manage and administer their equity compensation plans. Given the growth in stock options, awards, grants, etc., its service is highly sought after.

Companies that use Shareworks include **Royal Bank of Canada, Levi Strauss, Barclays, BHP Billiton**. It's a global company with a three-pronged sales effort encompassing its own direct sales force, white label partners, and third-party partners such as law firms and wealth managers.

In the trailing 12-months ended September 30, 2018, Solium had revenue of \$104.1 million and adjusted EBITDA of \$12.9 million. Approximately 52% of its revenue is in the U.S., Canada represents another 32%, and the rest of the world the remaining 16%, most of that from Australia and New Zealand.

Critically important is the fact 66% of its revenue is recurring, another 30% is re-occurring revenue (more than one-time purchase), and just 4% is a one-time purchase.

Solium plans to grow in three ways: organically, by acquisition, and geographically. Considering it's operating in four countries, the world is its oyster.

At 5.4 times sales, it's not a cheap stock, but future growth suggests it deserves an above-average multiple.

### **Real Matters** ([TSX:REAL](#))

Based in Toronto, Real Matters provides a network management services platform to help 60 of America's top 100 mortgage lenders make better lending decisions. It estimates that the total market for its services tops US\$13 billion annually.

Seems like a great business?

Real Matters went public in May 2017. Unfortunately, investors have not bought into its story. The company's stock's fallen to below \$5, losing 65% of its market cap in the process.

**National Bank of Canada** analyst Richard Tse has a \$6 target price on Real Matters (32% upside as I write this) and a "sector perform" rating. That said, Tse does tend to lean to the negative side of the argument.

"Nothing we saw or heard during today's results and conference call changes our view that 2019 will remain a challenging year for REAL despite what the recent price appreciation would seem to signal," Tse stated in early February. "Given the continued headwind in the originations market, particularly for refinance activity, we believe the risk-to-reward profile looks balanced."

Currently trading at 25 times its projected 2020 EBITDA, it isn't cheap. Nonetheless, I expect CEO Jason Smith to surprise a lot of the detractors in 2019 despite the headwinds it faces.

It's a speculative buy.

### **Information Services (TSX:ISV)**

Talk about a company that flies under the radar. You would think from its name that it does research work, but it provides interested parties with information about land titles, property liens, survey plans, aerial photos, and corporate registrations.

For a fee, of course.

Formerly a Saskatchewan Crown corporation until 2013 when it went public at \$14 a share, J.C. Clark money manager Colin Stewart suggested in mid-November that it had 40% upside. At the time it was trading around where it is now, so you've still got an excellent opportunity ahead of you.

According to Stewart, this type of company should trade at 25 times EBITDA. It trades around one-third that multiple. With a dividend yield of 5.0% and a strong balance sheet, ISV is an income investor's dream stock.

### **CATEGORY**

1. Investing
2. Tech Stocks

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:ISC (Information Services)
5. TSX:NA (National Bank of Canada)

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