3 Small-Cap Stocks With Multi-Bagger Potential

Description

Small-cap stocks are arguably the best section of the stock market for doubling or tripling your investment. The law of large numbers makes it much more difficult for this to happen to larger-cap stocks.

For example, for **Apple** to double in size, it needs to find an additional US$800 billion in opportunities. Good luck with that. A $250 million company, for comparison, could triple in size without surpassing the $1 billion threshold.

Which small-cap stocks appear to have double or triple the upside? Here are three companies that fit the bill.

Winpak (TSX:WPK)

Based in Manitoba, Winpak makes packaging used to protect perishable foods, beverages, and healthcare products. Since 2006, shares are up 313% versus a gain for the TSX of just 35%.

With a market cap of $2.7 billion, Winpak isn't a tiny company anymore, but there are still plenty of growth opportunities left.

For example, the company's strategic alliance with Wipak — Europe's leading manufacturer of packaging materials — gives global brands one-stop access for all of its packaging needs. This partnership has created customers around the world, including the United States, Canada, Latin America, and Asia.

Notably, Wihuri International, a packaging company based in Finland, owns 34 million shares. With partnerships, supporters, and opportunities around the global, Winpak can double or triple again merely from industry-wide growth.

Trican Well Service (TSX:TCW)

I wrote about Trican in January, noting the possibility for bankruptcy. While I concluded that insolvency wasn't a risk for 2019, distressed assets are some of the best ways to compound your money quickly — just as long as the company survives.

With depressed oil prices, Trican's customers have been reducing the amount of capital invested in their projects. Instead of running at full-tilt, many operators have opted only to service only the most profitable wells. That's bad news for Trican, pushing its market cap down to just $430 million.

Notably, when oil prices spiked, the company didn't see a resurgence of activity. Higher oil prices "did not result in urgency from our customers to increment nor get second-half capital programs activated early," noted Trican's CEO.

Still, if oil prices continue to rise, additional drilling will surely result. Trican has reduced its debt load impressively since 2015 and has room to sell further assets to survive. It may take a year or two for oil services to rebound, but even a whiff of returned activity could send this stock much higher.

TerraVest Industries (TSX:TVK)

With a market cap of just $210 million, TerraVest is the smallest company on this list. Yet since the start of 2013, shares have been on a slow and steady rise, from $3 per share to more than $12 per share. Judging by the fundamentals, this run looks ready to continue for years to come.

TerraVest is a Canadian manufacturer of niche products, including home heating infrastructure, propane, anhydrous ammonia and natural gas liquids transport vehicles, storage vessels, energy processing equipment, and fiberglass storage tanks. In most of these markets, TerraVest is the clear leader.

Cash flow generation has remained strong, even during difficult years, and the company's management team seems incredibly adept at capital allocation. Incredibly, company insiders own 68% of TerraVest's stock. It's no wonder they've operated the company with such savviness — they're perfectly incentivized.

Out of all the stocks on this list, TerraVest has the clearest path to double or triple in price again.

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1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:TCW (Trican Well Service Ltd.)
2. TSX:TVK (TerraVest Industries Inc.)
3. TSX:WPK (Winpak Ltd.)

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