Growth Investors: 3 TSX Small Caps With Loads of Upside

Description

Small-cap stocks can be among the best and the worst investments on the stock market. Although the absolute maximum possible return for a small cap is much higher than a blue chip, the unproven nature of these companies also means there's a greater risk of losing it all. If you look at the biggest TSX winners over the past five years, most of them started their runs a far cry away from blue-chip status. It makes sense; after all, when you're tiny, you've got the law of diminishing marginal returns on your side.

Given that, it's no surprise that weed stocks and **Shopify** have been crushing it these past three years (yes, as hard as it is to believe now, Shopify and all the weed stocks were small caps three years ago).

The unfortunate part is that yesterday's small-cap success story can be today's mediocre stock. Massive bull runs tend not to go on forever, and the closer a company gets to blue-chip status, the more likely it is that it will have market-average returns. If you want to find exciting small-cap companies to invest in today, you need to look outside the box. With that in mind, let's take a look at three TSX small caps that have lots of potential upside.

CargoJet (TSX:CJT)

CargoJet is a small air-travel company that specializes in overnight freight shipping. With a $1 billion market cap, it's squarely in small-cap territory. In its most recent quarter, the company posted $110 million in revenue, up 11.3% year over year. It also posted $32.3 million in adjusted EBITDA, up 17% year over year. If you're excited by all the optimism surrounding air-travel stocks these days, CargoJet may be a solid play. It's also worth mentioning that CargoJet is a dividend stock with a yield around 1% as of this writing.

Organigram Holdings (TSXV:OGI)

Organigram is a small-cap weed stock with a $1.5 billion market cap. Despite its small size, it's been one of the biggest TSX gainers this year, up 77% year to date and as much as 84% at its peak. The company's strong performance has been driven by strong revenue, which surged by 693% year over year in the company's most recent quarter. Like most cannabis companies, Organigram is posting negative net income and EPS, although its losses as a percentage of revenue are not that high.

Questor Technology (TSXV:QST)

Questor provides clean combustion solutions, including incinerators and power generators, to industrial customers. As green energy regulations become more commonplace, demand for these types of services is expected to grow. Questor stock is fairly cheap, with an 18 trailing P/E ratio. In its most recent quarter, Questor grew its revenue by 28% and its earnings by 11% year over year. Assuming the company can keep up its double-digit revenue growth, it may have some serious upside.

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1. Cannabis Stocks
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TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:OGI (OrganiGram)
3. TSXV:QST (Questor Technology Inc.)

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