



3 Small-Cap Stocks With Mega-Cap Potential

Description

There are natural limits to investing. One of the biggest deals with size.

If you buy large-cap stocks — which nearly everyone does — your upside will be capped. Why? It's significantly more difficult for a \$50 billion company to double or triple in size versus a \$5 billion company.

If you want to multiply your investment quickly, small-cap stocks are the way to go. Here are several picks that could surge into mega-cap territory.

The next fashion juggernaut

Following a 30% drop, **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)) is worth just \$5.1 billion. In 2018, it was worth nearly twice that.

While the drop stemmed from short-term [pressures](#), there's no reason to believe this stock is broken. In fact, it's likely that shares will be worth considerably more over the next decade and beyond.

To get an idea of what Canada Goose could be worth, look no further than a more mature competitor, **VF Corp.**

VF Corp owns a variety of brands, including The North Face and Smartwool. Many of its products compete directly with Canada Goose. Today, the company has a market cap of more than \$40 billion — eight times that of Canada Goose.

While it's underappreciated, Canada Goose already seems to be replicating VF Corp's strategy. In 2018, it purchased Baffin Inc. for \$32.5 million to expand into footwear. Slowly but surely, Canada Goose is expanding its brand lineup into nearly every clothing and fashion vertical.

Perhaps more likely, the company will be bought out entirely by the likes of VF Corp. Either way, expect the stock to be worth much more over the coming years.

Capitalize on mega-trends

The inclusion of **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) on this list may surprise you. Don't worry, I'm not expecting consumers to ditch their iPhones for BlackBerry phones. In fact, the company stopped manufacturing phones altogether last year. Today, it's focused entirely on software and services.

In recent months, BlackBerry has closed an impressive number of deals that target multi-decade mega-trends like autonomous vehicles, cybersecurity, and healthcare analytics.

Even the government of Canada is recognizing BlackBerry's impressive turnaround. "Whether it's protecting the data generated by the IoT connected world, or guarding government secrets, BlackBerry has earned its reputation as an industry leader in security and privacy," said Innovation Minister Navdeep Bains this month.

With a market cap of just \$6 billion, the market could be mis-pricing this stock aggressively. As software and services revenue continue to ramp, expect investors to re-rate the stock in a hurry.

Be a contrarian

Uranium Participation ([TSX:U](#)) is the most unique stock on this list. That's because it's not actually a business. Instead, the holding company simply purchases and stores uranium resources.

The pitch is simple: when uranium prices rise, so does the value of its inventory. That should result in a higher stock price.

Why should you believe in rising uranium prices? For years, nuclear power companies have avoided entering long-term contracts for uranium supply. The regulatory environment has just been too uncertain.

Over the next 12-24 months, many decade-old contracts are set to roll-off. Unless these companies want to purchase their supply purely on the spot market — an incredibly risky strategy — they'll need to rush to secure long-term contracts again.

Even the company's management team admits that "long-term contract coverage from the previous uranium bull cycle is coming to an end, and has been acting as a lifeline to high-cost mines."

When uranium prices spiked in 2007, shares tripled in value. Expect this rise to repeat itself when uranium prices spike again.

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2. NYSE:GOOS (Canada Goose)
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