



3 Small-Cap Tech Stocks to Buy in July

Description

The best stocks to buy are often companies you've never heard of.

Because they're not as popular, small-cap stocks often trade at a discount. Over time, however, multiple studies have shown that small-cap stocks outperform their larger peers.

But if you've never heard of these companies, how do you find them?

We've done the hard work for you and rounded up three top stocks that look like the next small-cap superstars.

Take to the skies

Drone Delivery Canada ([TSXV:FLT](#)) is using technology to transform Canadian logistics. The company is using customized drones to deliver critical supplies to some of the most remote communities on earth.

If this sounds like a moonshot idea, it is. Just know that reputable companies like **Amazon.com** are attempting the same thing, albeit in different markets.

For decades, logistics in Canada has been a niche market. Local companies have been able to dominate the industry given the landscape, and needs are so much different than in the U.S. and elsewhere.

Consider **CargoJet**. Since 2011, shares have increased by more than 1,000%. Today, it controls [more than half](#) of the overnight shipping market in Canada.

Drone Delivery Canada aims to replicate this success but in a way CargoJet never could. With drones, the company can delivery life-saving necessities like defibrillators in record time.

The current market cap is just \$200 million, but this could be a \$1 billion market within five years.

Ride the 5G wave

TeraGo ([TSX:TGO](#)) shares have tripled since 2017, but with a market cap of just \$200 million, there could be plenty of room left to run.

The company's services span everything from cloud connectivity and 5G solutions to mission-critical redundancies and disaster recovery. Its focus on mid-sized businesses allows it to side-step direct competition from tech giants like Amazon or **IBM**.

TeraGo already has a promising client list that included United Way, QuickTech, and Dytronix. A major customer add or two could double or triple its business overnight.

One of the company's most impressive assets is its redundancy network. It has wireless equipment on over 600 rooftops across Canada, with density built in key markets like Vancouver, Toronto, and Montreal.

To run this network, the company has built the largest portfolio of 24 and 38 GHz fixed wireless spectrum in Canada, covering more than two-thirds of the population.

Wireless providers could purchase the entire company at a big premium solely to acquire this spectrum portfolio. As the race to 5G heats up, expect a bid from telecom carriers like **BCE** or **Rogers Communications**.

Based on previous spectrum-focused acquisitions, a buyout could easily occur at a premium of 50% or more versus the current trading price.

Ramping to profits

Baylin Technologies ([TSX:BYL](#)) stock is still trading at 2015 levels. That could change quickly once the market appreciates its pivot to profitability.

From the first quarter of 2016 to the second quarter of 2017, Baylin generated a combined \$2.5 million in EBITDA. Since the third quarter of 2017, however, the company has generated a whopping \$19.7 million in EBITDA.

What's driving the shift? Yet again, it's the race to 5G.

Baylin provides critical hardware tech necessary for scaling 5G networks. That wasn't a hugely profitable business until the second half of 2017. Since then, demand has ramped quickly.

Revenues are up 50% since 2017, while EBITDA has tripled. As carriers build their networks, the company could double or triple in size in just a few years.

The market hasn't caught on to this small-cap's pivot to profitability and growth. That's providing a compelling entry point for investors willing to take on a bit more risk.

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