



3 Small-Cap Stocks With Big-Cap Potential

Description

[Small-cap stocks](#) — generally defined arbitrarily as having a [market cap value](#) of \$2 billion or less — can be an exciting but difficult investment. Stocks of small businesses are far more volatile than those of large ones, but many have huge growth potential. Some never realize their ambitions and get squashed by competition or other economic factors, but a select few make it to the big time.

Investors who can stomach the roller coaster and have time to wait are best served by investing in a diversified basket of small stocks, like this [list from last month](#). To continue on the small-cap investment journey, here are three more with some serious upside potential: **Iridium Communications** ([NASDAQ: IRDM](#)), **Appian** ([NASDAQ: APPN](#)), and **Fastly** ([NYSE: FSLY](#)).

Iridium: Communications in space

Much is being done to get internet connectivity to hard-to-reach places. Elon Musk's [SpaceX](#) and [Amazon.com](#) ([NASDAQ: AMZN](#)) are both working on broadband internet delivered via satellite to the masses. Iridium Communications is already doing it, though, albeit on a much smaller and more focused scale.

Iridium completed the long process of deploying a new satellite constellation early in 2019, called [NEXT](#). The array of 66 satellites (plus nine more in reserve) is up and running, delivering voice and data services that cover 100% of the globe, primarily for the aviation and maritime industries as well as government organizations. The new broadband-speed data that NEXT enables is the driving force here as businesses and organizations use the new network to track assets in transit, offer internet service to passengers, and provide other data-intensive services.

It's still the early innings for the company, but results are starting to roll in. Just recently Iridium announced it was awarded a five-year contract worth up to \$76 million from the Department of Defense (DoD) for network gateway upgrades, and renewed another deal with the DoD for seven years with a value of \$738.5 million for voice and other communications services.

Other projects include a recent collaboration with **SoftBank** (OTC: SFTBF) supported [OneWeb](#) to

provide broader network coverage, and another ongoing project through subsidiary Aireon to update air traffic control systems.

As of this writing, Iridium has a market cap of \$2.7 billion, and brought in \$277 million in revenue through the [first half of 2019](#) — a 9% increase over the prior year. It's a small outfit with big potential as demand for connectivity and communications services rises, and it has an early lead in the space-based internet race.

Appian: Making software development a cakewalk

As the world goes digital, the need for software developers is on the rise. Demand for IT talent is fierce, though, and many organizations are hard-pressed to build and maintain an in-house department to take care of their technology needs. Appian has a solution: low-code software development.

Low-code is a visual drag-and-drop toolkit for building apps and other digital tools. Appian says that no software-coding experience is required, but for those who have the know-how, low-code can significantly cut down development time and cost. It's a message that's resonating in the business world, and Appian is picking up lots of new customers.

It breaks things down into two segments: software and subscriptions, and professional services. It's the former, which encompasses customer subscriptions to its low-code development platform, that is powering Appian higher. While professional services grew a mere 3% during the [second quarter of 2019](#), subscription-specific revenues were up 41% to \$38 million.

This software company is still small, currently with a market cap of \$3.1 billion. A lot is riding on subscriptions continuing to grow at a double-digit rate for the foreseeable future as Appian still operates deep in the red. Nevertheless, with digital transformation not going anywhere anytime soon, this small-cap stock is at least worth a look, since it appears that its potential is nowhere near tapped out.

Fastly: Delivering the internet over the cloud

The internet has changed a lot the last few years. Mobile networks and cloud computing have been game changers, enabling access to the internet and web-based applications from a myriad of new devices. Organizations are catching up, but delivering apps and data via these new media can be a challenge.

Fastly is an [edge-cloud-computing](#) web delivery and security firm. As such, it cuts down on the round trip data has to make by using smaller servers and devices closer to the source of the data request — rather than letting it route to a central data-center hub that might be further away. The company also gives its customers more visibility and control over where data is stored and how it's distributed. For businesses delivering content to their users, be it for work or entertainment, Fastly's software-based infrastructure helps make websites and applications faster and more secure.

The business is still small, with revenue at just \$159 million over the last trailing-12-month stretch through the [second quarter of 2019](#). Revenue is growing north of 30%, though, as edge-based

computing is gaining in popularity. Fastly is gunning for the likes of internet content delivery giant **Akamai** ([NASDAQ: AKAM](#)), which has done \$2.8 billion in sales over the same stretch and carries a market cap of \$14.7 billion — compared with Fastly's \$2.1 billion. So there's promise that the small upstart could get a lot bigger as it gobbles up new types of internet traffic.

It's worth noting that this [recent IPO](#) is especially volatile, and it will likely remain so for some time. Fastly operates at a steep loss and is banking on its ability to continue growing at a brisk pace. But the internet is still growing, and hundreds of millions of new devices are connecting to it every year. In a decade's time, Fastly should be much larger than it is today.

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TICKERS GLOBAL

1. NASDAQ:AKAM (Akamai Technologies, Inc.)
2. NYSE:FSLY (Fastly, Inc.)

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