



3 Amazing Small-Cap Stocks I'd Buy With \$3,000

Description

Hello, Fools! I'm back again to highlight three attractive small-cap stocks. As a reminder, I do this because companies with a market cap under \$2 billion have [much more room to grow](#) than larger more established blue chip companies and are largely ignored by professional analysts.

So if you have \$2,000 or \$3,000 sitting around, this list might be a good place to [take full advantage](#) of the recent selloff.

Let's get to it.

Caught in the web

Leading off our list is hemp-based products specialist **Charlotte's Web Holdings** ([TSX:CWEB](#)), which has a market cap of about \$615 million.

The stock has been hit particularly hard during this downturn, but now might be an opportune time for aggressive investors to pounce. Specifically, the company's highly trusted brand (number one brand name by market share), scale advantages (over 11,000 retail locations), and production capacity (2.34 million lbs. produced in 2019) continues to underpin its long-term trajectory.

In 2019, organic revenue jumped 36% while the company ended the year with \$68.6 million cash and \$116.9 million in working capital.

"In 2019 we began a transition from startup to a standup CPG [consumer packaged-goods] company capable of servicing the mass retail channels," said CEO Deanie Elsner. "We assembled highly experienced CPG management, sales, and marketing teams that rapidly captured the broadest retail customer footprint in the category."

The stock is down about 46% over the past three months.

Recipe for success

With a market cap of \$620 million, **Recipe Unlimited** ([TSX:RECP](#)) is our next intriguing small-cap stock.

It's no surprise that shares of the restaurant operator have been hit badly in recent weeks, but aggressive investors might want to take a look. When people start eating out again, Recipe's scale (Canada's largest full-service restaurant company) and well-recognized brands (Swiss Chalet, Harvey's, East Side Marios, The Keg) should help fuel a relatively sharp recovery.

In 2019, Recipe earned \$60.8 million as system sales increased to \$3.49 billion. Moreover, the company hiked the annual dividend by 5%.

"While we are pleased with the positive progress made, we are continuing to create ways to offer more compelling and relevant consumer propositions," said CEO Frank Hennessey. "We will continue to make investments in training, renovations and in new initiatives such as those that may better serve the major urban centers for delivery."

Recipe shares are down about 40% over the past three months.

Major opportunity

Rounding out our list is mining driller **Major Drilling Group** ([TSX:MDI](#)) which currently has a market cap of about \$306 million.

Major Drilling shares have also tanked hard in recent months, giving mining-oriented Fools a possible buying opportunity. Specifically, the company's wide geographic reach, strong financial position (with no debt), and decent scale (roughly 600 drilling rigs) continues to underpin its long-term prospects.

In the most recent quarter, EBITDA clocked in at \$2.7 million as revenue improved 2% to \$81.7 million.

"In regard to base metals, the recent coronavirus outbreak has created economic uncertainty, which caused copper prices to decline by some 10% over the last couple of months," said CEO Denis Larocque.

"Despite this, many industry experts expect that most base metals will face a significant deficit position in the next few years, due to the continued production and high grading of mines, combined with the lack of exploration work conducted to replace reserves."

Major Drilling shares are down about 30% over the past three months.

The bottom line

There you have it, Fools: three attractive small-cap stocks worth checking out.

As always, they aren't formal recommendations. Instead, view them as a starting point for more

research. Small-caps carry more risk than the average stock on the TSX Index, so extra caution is required.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CWEB (Charlotte's Web Holdings, Inc.)
2. TSX:RECP (Recipe Unlimited)

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