Young Investors: These Three Small-Cap Stocks Can Make You Rich

Description

Small-cap companies offer higher returns, given their exponential growth potential and lower valuation. However, these stocks are highly volatile and are riskier. So, young investors, who have time on their side and also have higher risk-taking abilities should consider investing in these stocks for higher returns.

Facedrive

My first pick is a ride-hailing company**, Facedrive** (TSXV:FD), which offers its customers less-polluting vehicles, such as EVs and hybrids, along with conventional cars. The company's environment-friendly positioning has been gaining traction, with a surge in its user base.

In its recently completed first quarter, its revenue increased by over 975% on a year-over-year basis. Meanwhile, Facedrive is looking at expanding its operations to Europe and the United States also. Given the global market size of the transportation-as-a-service, the company has a significant opportunity to grow its business.

Meanwhile, the company is also diversifying its business by entering other sectors, such as e-commerce, food delivery, and healthcare businesses.

The recent selloff in the technology stocks has dragged the company's stock price down. Currently, the company trades at a discount of 54% from its 52-week high of $28, which provides an excellent buying opportunity for young investors with a longer horizon.

WELL Health Technologies

WELL Health Technologies (TSX:WELL) is my second pick. WELL runs medical clinics andmaintains electronic medical records (EMR) for clinics. Meanwhile, amid the pandemic-infusedlockdown, the company launched its telehealth service VirtualClinic+, which connects patients todoctors over digital channels.

The company has been one of the strong performers in this year by returning over 350%. The strong second-quarter performance and its entry into the lucrative United States market drove its stock price.

In the second quarter, WELL Health's top line grew over 43%, driven by a strong performance from its digital services. Its telehealth visits increased by 730% on a sequential basis to 124,800. The company has also expanded its EMR footprint to over 2,000 clinics and 10,000 physicians across Canada.

Earlier this month, the company had announced that it would acquire a controlling stake in Circle Medical for US$14 million. Through this acquisition, the company could access telehealth services in 35 states, which covers 200 million Americans.

So, given the immense potential, I believe the company's stock could rise multi-fold in the years to come.

Docebo

I have selected **Docebo** (TSX:DCBO), a cloud-based learning management system provider, as my third pick. The company has been delivering consistent performance for the past three years. Its recurring revenue rose at a compound annual growth rate (CAGR) of 69% during the period, while its average contract value has expanded by 2.7 times.

Meanwhile, the outbreak of COVID-19 has further increased the utilization rate of its platforms, boosting its financials. In its recently completed quarter, the company's revenue grew 46.5% to $14.5 million. Its customer base and average contract value have increased by over 20% on a year-over-year basis. The contribution from its recurring revenue has risen to 92% compared to 83% in 2017.

Fortune Business Insights projects the global LMS market to reach US$38.1 billion by 2027 from US$8.76 in 2019 at a CAGR of 19.7%. So, the company's growth prospects look healthy.

Amid the recent pullback, Docebo currently trades at over 20% discount from its 52-week high of $58.81. I believe long-term investors should use this pullback to accumulate the stock for higher gains.

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)
2. TSX:WELL (WELL Health Technologies Corp.)
3. TSXV:STER (Facedrive Inc.)

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1. Tech Stocks

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