



## 3 Small-Cap Stocks Under \$20 That Can Make You Rich

### Description

After falling 2.4% last month, the **S&P/TSX Composite Index** has made a strong start to this month by rising 1.8%. The hopes of a breakthrough in the new fiscal stimulus in the United States and the improvement in the health of President Donald Trump has driven the equity markets higher.

Amid the renewed optimism, here are the three small-cap stocks trading under \$20 that can deliver multi-fold returns in the long run. Generally, small-cap stocks are highly volatile and riskier. So, investors with higher risk-taking abilities should consider investing in these stocks.

### Absolute Software

**Absolute Software** (TSX:ABT), which provides endpoint security and data risk-management solutions, has returned over 88% this year. Amid the structural shift towards remote working and e-learning, the demand for cybersecurity services has increased, driving its financials and stock price.

The company currently services over 13,000 clients, with over nine million activated licences across the world. It earns 95% of its revenue from its SaaS (software-as-a-service) business, which is recurring. So, the company's cash flows are stable.

Further, the company's annual recurring revenue (ARR), an indicator of its future recurring revenue streams, has been rising over the last few quarters. At the end of the recently completed fourth quarter, the company's ARR stood at \$108.3 million, representing an increase of 11% from the previous year's quarter.

Gartner projects the spending on cybersecurity to reach US\$190 billion by 2023, with US\$56 billion dedicated to endpoint security technology. So, given its growing addressable market, high customer retention rate, and zero-debt balance sheet, I am bullish on Absolute Software. Also, the company pays quarterly dividends. Currently, the dividend yield stands at a healthy 2%.

## Goodfood Market

My second pick would be an online grocery and meal-kit company, **Goodfood Market** ([TSX:FOOD](#)), which has returned over 520% from its March lows. The pandemic has led to an increased subscriber base, higher orders, and a rise in average order values, driving its financials.

[As of August 31](#), the company had 280,000 active subscribers, representing a rise of 80,000 from the previous year. Meanwhile, the expansion of its ready-to-eat and breakfast meal solutions and private label grocery products across Canada has also contributed to its top-line growth.

In the first three quarters of 2020, Goodfood Market's revenue has increased by 74% to \$201.7 million. Its adjusted EBITDA losses have also improved from \$11.8 million to \$0.6 million. The sales leverage, operational efficiencies, investment in automation, and lower SG&A (selling, general, and administrative) expenses have led to a decline in its adjusted EBITDA losses.

Meanwhile, the shift in consumer behaviour towards online shopping amid the pandemic has created a long-term tailwind for the company, supporting the upward momentum in its stock price. So, I believe the rally in the company's stock price has more legs to go.

## Facedrive

**Facedrive** (TSXV:FD) is a ride-hailing company that offers greener options, such as electric and hybrid vehicles, to its customers, along with conventional cars. The company's eco-friendly positioning has been gaining traction with millennials, driving its top line.

Further, the company looks to expand its operations to Europe and the United States also. Given the global market size of the TaaS (transportation-as-a-service) business, the company has significant expansion potential. The company is also diversifying its operations to other sectors, such as e-commerce, food delivery, and healthcare businesses. So, the company's growth prospects look healthy.

Currently, the company trades at a 56% discount from its 52-week high of \$28, which provides [an excellent entry point for long-term investors](#).

### CATEGORY

1. Investing
2. Tech Stocks

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:ABST (Absolute Software)
2. TSX:FOOD (Goodfood Market)

3. TSXV:STER (Facedrive Inc.)

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## **Author**

rnanjapla

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