The 3 Best Canadian Small-Cap Stocks to Buy for 2021

Description

Small-cap stocks have higher growth potential as compared to their bigger rivals. Since these companies are small, they can grow fast and deliver outsized returns in a short span. We'll discuss the three best Canadian small-cap stocks that have consistently performed well, delivered stellar returns, and have the potential to continue to outperform the broader markets by a significant margin in 2021.

goeasy

Sub-prime lender **goeasy** (TSX:GSY) has impressed with its robust financial and operating performance over the past several years. It has managed to increase its top line at a double-digit rate consistently. Meanwhile, its bottom line has grown at a CAGR (compound annual growth rate) of over 30% since 2001.

Despite the lower business activity in 2020, goeasy reported a 52% jump in its earnings during the first three quarters of 2020. Continued growth in revenues and strong expense management supported the company's bottom-line growth.

With the economic reopening, goeasy has started to see an improvement in consumer demand with positive payment trends. Meanwhile, its loan portfolio is witnessing growth that is likely to support its top and bottom line in 2021.

Improvement in loan origination, geographic and channel expansion, new product launches, and lower expenses position it well to deliver strong growth in 2021. Meanwhile, goeasy could continue to boost shareholders' returns through higher dividend payments.

goeasy has been consistently paying dividends for the past 16 years and has uninterruptedly increased it in the last six consecutive years.

Jamieson Wellness

Jamieson Wellness (TSX:JWEL) is another top small-cap bet. The natural healthcare products manufacturer has been the category leader in the Canadian market and is growing as a global brand.

Its organic revenues have grown at a CAGR of 9% over the past several years. Meanwhile, its adjusted EBITDA has grown at a double-digit rate with continued margin expansion. Notably, Jamieson's growth accelerated in 2020, with its consolidated revenues increasing by 19.2% in Q3. Moreover, its adjusted EBITDA increased by 18.2% during the same period.

With the sustained demand in North America, advancement in China, strategic acquisitions, and efficiency savings, Jamieson Wellness could continue to deliver good growth in 2021. Meanwhile, the company's strong cash flow generation capabilities could enable it to increase its dividends for the fifth consecutive year in 2021.

Docebo

With its strong performance in 2020, **Docebo** (TSX:DCBO)(NASDAQ:DCBO) is graduating from a small-cap to a mid-cap stock. The corporate learning management software provider has been generating strong revenues and heading towards being profitable.

Docebo's customer base and contract value are growing at a brisk pace. Meanwhile, its strong subscription revenues, multi-year contracts, and high retention rate further strengthen my bullish view on its stock.

Its large addressable market and increased adoption of e-learning platform provide a strong underpinning for growth. Meanwhile, higher revenues combined with productivity and efficiency savings are driving the company towards profitability.

Docebo stock has surged over 332% this year. Given its strong fundamentals, product expansion, and opportunistic acquisitions, the rally in its stock could continue in 2021.

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TICKERS GLOBAL

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3. TSX:GSY (goeasy Ltd.)
4. TSX:JWEL (Jamieson Wellness Inc.)

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