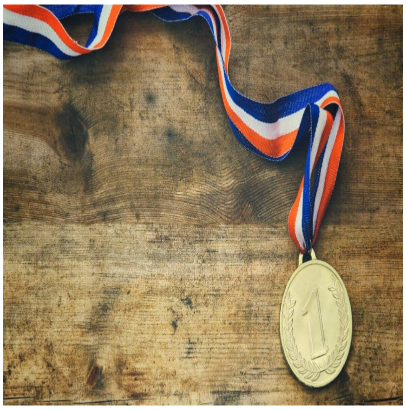

The 3 Best Canadian Small-Cap Stocks I'd Buy for 2021

Description

The expected economic recovery and improvement in customer demand provide a solid base for small-cap companies to deliver strong earnings growth and outperform larger peers in 2021. Without further delay, let's delve into three Canadian small-cap stocks that could generate exceptional returns in 2021.

goeasy

With a market cap of $1.41 billion, **goeasy** (TSX:GSY) is my top small-cap stock pick for 2021 . The widespread vaccine distribution and economic reopening are likely to drive consumer demand and, in turn, boost goeasy's prospects.

The subprime lender has outperformed the broader index by a wide margin over the past several years, thanks to its strong fundamentals and impressive financial and operating performance. goeasy's profits have grown at a CAGR (compound annual growth rate) of over 30% in the past 18 years. goeasy has consistently boosted investors' returns through higher dividend payments, reflecting its high-quality earnings base.

With the expected recovery in the economy, goeasy's loan portfolio will likely improve in 2021 and drive its stock higher. Meanwhile, new products and channel expansions should further accelerate its growth. Thanks to its robust earnings and cash flows, goeasy is likely to continue to increase its dividends in 2021.

Dye & Durham

Dye & Durham (TSX:DND) stock looks attractive at the current price levels. It has corrected by over 20% from its 52-week high, reflecting the fear of a stricter lockdown amid rising coronavirus cases. Notably, Dye & Durham's top line took a significant hit during the fourth quarter of the last fiscal year, as demand for its products and offerings faded due to the temporary closure of courthouses in Canada.

With the expected distribution of the COVID-19 vaccine in 2021, I believe the demand for its products and solutions are likely to remain elevated and should push its stock higher. Its strong blue-chip customer base and high retention ratio should help the company deliver impressive sales and EBITDA.

Moreover, Dye & Durham is expected to benefit the most from its accretive acquisitions. The company's opportunistic acquisitions could accelerate its growth pace and continue to drive Dye & Durham stock higher in 2021.

The company recently announced three acquisitions that have opened new geographies and growth opportunities. Meanwhile, it has raised its revenue outlook for the upcoming quarter, citing benefits from its recent acquisitions.

Jamieson Wellness

Jamieson Wellness (TSX:JWEL) is likely to benefit from strong consumer demand for wellness products and its international expansion. Meanwhile, its investments to increase the production capacity and positive industry tailwinds are likely to accelerate its top- and bottom-line growth in the coming quarters and, in turn, its stock.

The company's international business is growing at a brisk pace and could continue to deliver impressive sales, as it sees upside opportunity from China. While the company's base business remains strong, its focus on acquisitions of established brands in developed economies is likely to further accelerate its growth rate.

Jamieson's sales and adjusted EBITDA have consistently increased at a double-digit rate since 2016. Meanwhile, it has raised its dividends in the last four years.

With strong demand for its products in the domestic and international markets and advancement in China, Jamieson Wellness stock is likely to deliver solid returns in 2021 and outperform the broader markets.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Tech Stocks

TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)
2. TSX:GSY (goeasy Ltd.)
3. TSX:JWEL (Jamieson Wellness Inc.)

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