



4 of the Best Small-Cap TSX Stocks to Buy in July 2021

Description

Investing in small-cap TSX stocks could be highly rewarding, as they grow faster than their bigger and mature peers. But before you invest in small-cap stocks, remember that these companies are highly risky bets, so we need to be extra cautious.

I have shortlisted the four best small-cap TSX stocks that you could consider adding to your portfolio at the current levels. While these Canadian companies have solid fundamentals with good growth prospects, they are priced below \$20 and are within reach of every investor.

Cineplex

The first stock is **Cineplex** ([TSX:CGX](#)). Shares of the entertainment and media company plunged amid the pandemic. However, it bounced back sharply and appreciated over 90% in one year. Despite the recovery, Cineplex stock continues to trade significantly lower than its pre-pandemic levels, indicating it could rise further once its operations return to normal and demand picks up.

I believe the ongoing vaccination and easing of lockdown measures could give a considerable boost to its financial and operating performance. The reopening of its entertainment venues and theatre chains could significantly increase the traffic and reduce its cash-burn rate. Considering its [solid growth prospects](#), investors should grab this cheap (under-\$20) stock at current levels.

WELL Health Technologies

WELL Health Technologies ([TSX:WELL](#)) has created a significant amount of wealth for its investors. This small-cap stock rallied over 5,200% since it got listed on the TSX in 2017. Thanks to its stellar financials and accretive acquisitions, the telehealth company remains well positioned to [outsized growth](#) in the future.

WELL Health is witnessing solid growth in its software and services segment, which is driving its overall revenue. I expect the momentum in the software and services segment to sustain and support the company's top line growth in the coming years. The company has also delivered positive adjusted EBITDA in two consecutive quarters, and I expect the positive trend to continue in the future quarters.

The rising demand for telehealth services, digitization of clinical assets, solid acquisition opportunities, cost optimization, and robust operating cash flows are likely to strengthen its growth.

Absolute Software

Absolute Software ([TSX:ABST](#))([NASDAQ:ABST](#)) is another small-cap (under-\$20) stock that offers robust growth. The company's annual recurring revenues have accelerated in the recent past, and I expect the strength to continue. Meanwhile, Absolute Software's adjusted EBITDA is growing at a breakneck pace (it grew at a CAGR of 72% from 2018 to 2020), thanks to the higher recurring revenues.

Absolute Software's revenue could continue to grow rapidly, reflecting channel and global expansion, large addressable market, continued momentum in the base business, and cross-selling opportunities. Furthermore, strategic acquisitions, favourable industry trends, a strong balance sheet, and lower direct competitive activities bode well for growth.

Hexo

Investors can consider **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) stock for their long-term portfolio. It is currently trading under \$20, and its ability to acquire and integrate businesses is likely to drive its financials in the coming years.

Last month, it completed the acquisition of Zenabis Global and remains on track to buy two of Canada's licensed producers: 48North Cannabis and Redecan. These acquisitions could generate significant cost synergies and drive future cash flows. Also, they'll provide a solid base for global growth and strengthen its market share. Besides acquisitions, Hexo is also growing organically and expanding its footprint in the lucrative U.S. market, further supporting its long-term growth prospects.

CATEGORY

1. Cannabis Stocks
2. Coronavirus
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. TSX:ABST (Absolute Software)
3. TSX:CGX (Cineplex Inc.)
4. TSX:HEXO (HEXO Corp.)
5. TSX:WELL (WELL Health Technologies Corp.)

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