



## 3 Top Small-Cap Stocks to Buy Today

### Description

Large-cap stocks **Shopify**, **Royal Bank of Canada**, **Toronto-Dominion Bank**, **Enbridge**, and **Brookfield Asset Management** are familiar names because of their sheer sizes and [name recall](#).

However, some smaller companies could deliver [higher returns on investment](#) than the TSX titans. **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)), **Photon Control** ([TSX:PHO](#)), and **Roots** ([TSX:ROOT](#)) are the small-cap [growth stocks](#) you should buy today.

### Juicy royalty dividend

A&W Revenue Royalties, a \$559.8 million limited purpose trust, owns the A&W trademarks. Trade Marks Inc. grants the licences to these trademarks to A&W Food Services of Canada Inc. The arrangement is that 3% of sales of the restaurants in the royalty pool goes to the royalty company.

For would-be investors, the share price of A&W is \$38.38, while the dividend is a juicy 4.33%. As of July 12, 2021, the royalty stock is up 15%. In Q1 2021 (quarter ended March 28, 2021), the -5.6% same-store sales growth versus Q1 2020 reflects the continuing impact of the global pandemic.

Nonetheless, the royalty company's net income increased 21% to \$6.47 million. The number of restaurants in the royalty pool also increased from 971 to 994. However, many A&W restaurants were either temporarily closed or did not offer dine-in services throughout the quarter.

Meanwhile, management has to keep most A&W restaurants closed temporarily. They will have to wait and see until the situation evolves or when the government permits them to reopen.

### A welcome takeover

Photon Control is among the TSX's surprises thus far in 2021. Current investors in this \$377.28 million manufacturer of fibre optic measurement solutions are up 77.72%. While its latest quarterly revenue (quarter ended March 31, 2021) increased 4% versus Q1 2020, net income fell 55%. The good news,

however, is the forthcoming takeover of **MKS Instruments**.

Photon shareholders agreed to the purchase offer of the US\$9 billion company from Massachusetts. According to Neil McDonnell, chair of the company's board of directors and special committee, the deal will enable Photon to accelerate the execution of its strategic plan.

MKS expects to close the transaction by Q3 2021. Once complete, McDonnell said Photon should gain access to additional customers and markets as well as provide efficiencies from a greater scale.

## The struggle will end soon

Roots continues to struggle in the pandemic environment. In Q1 fiscal 2021 (quarter ended May 1, 2021), the \$157.82 million company reported a 24.7% increase in total sales and 27.6% growth in direct-to-consumer (DTC) sales versus Q1 fiscal 2020. Net loss, however, lessened by 37% to \$4.9 million.

Meghan Roach, Roots's president and CEO, said the quarterly results highlight the excitement for the brand, the company's omnichannel capabilities, and its success in driving operational and cost efficiencies. She added, "Despite the volatility of our current operating environment, we have significantly strengthened the fundamentals of the Company over the past five quarters."

The shares of the premium outdoor-lifestyle brand trades at \$3.74 and are up 54% year to date. Market analysts see a potential upside of 60% to \$6 when the economy is in better shape.

## Equally attractive

The top-performing small-cap stocks in focus here are as attractive as large-cap stocks. Exciting times are ahead for A&W, Photon Control, and Roots post-pandemic. All three could deliver far better returns than the market movers.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:ROOT (Roots Corporation)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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