3 Canadian Small-Cap Stocks to Buy Right Now

Description

Small-cap stocks have the potential to grow their financials at a high rate compared to mid-cap and large-cap stocks. So, these stocks can deliver superior returns. However, these stocks are highly susceptible to market volatility and are risky. So, investors with higher-risk-taking abilities and a longer investment horizon can invest in these stocks to earn superior returns.

Savaria

Savaria (TSX:SIS) had reported a solid second-quarter performance yesterday. Its revenue grew 111% to $178.6 million. The acquisition of Handicare and organic growth due to the recovery in economic activities drove the company's top line. However, unfavourable currency translation offset some of the increases. Meanwhile, the company's adjusted EBITDA also grew by 89.3% to $27.4 million, supported by strong top-line growth.

Meanwhile, the company's addressable market is expanding amid a growing aging population and rising income levels. The company's robust portfolio of products, increasing geographical footprint, and cross-selling opportunities from Handicare's acquisition could boost its financials in the coming quarters. With its strong financial position, Savaria is well equipped to fund its growth initiatives. It also pays a monthly dividend of $0.04 per share, with its forward yield standing at 2.3%. So, Savaria would be an excellent buy for investors with over three years of an investment horizon.

WELL Health

Second on my list would be **WELL Health Technologies** (TSX:WELL), which has reported a solid second-quarter performance today. Its revenue grew 484% to $61.8 million, thanks to its acquisition of CRH Medical and strong growth of 432% in its virtual services revenue.

Along with top-line growth, the company's adjusted EBITDA also rose. For the quarter, the company's adjusted EBITDA came in at $11.9 million compared to an adjusted loss of $0.5 million in the previous year's quarter. The accretive acquisition of CRH Medical and higher sales from its virtual services drove its adjusted EBITDA higher. Meanwhile, I expect the uptrend in the company's financials to continue amid favourable market conditions and its continued acquisitions.

The company has acquired CRH, MyHealth, Intrahealth Systems, ExecHealth, and a 51% stake in Doctors Services Group in the second quarter. With these acquisitions, the company's management expects its annualized revenue and adjusted EBITDA run rate have reached $400 million and $100 million, respectively. So, I believe the uptrend in WELL Health will continue.

HEXO

My final pick is **Hexo** (TSX:HEXO)(NYSE:HEXO), which trades over 66% lower from its January highs. Its weak third-quarter performance and lack of progress in cannabis legalization at the federal level in the U.S. have weighed on its stock price. However, amid increased legalization and rising cannabis usage for medical purposes, the cannabis market is expanding.

Amid the expansion of its addressable market, HEXO is looking to strengthen its competitive positioning by launching new products and raising THC content in its hash category. Its acquisitions could act as significant growth drivers. The company has acquired Zenabis while working on completing 48North Cannabis and Redecan deals.

These acquisitions could significantly expand its product offerings and strengthen its market share in the Canadian recreational cannabis space. Also, the synergies can deliver significant savings, thus improving HEXO's margins. So, given its healthy growth prospects and a substantial discount on its stock price, I expect HEXO to deliver superior returns.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. TSX:HEXO (HEXO Corp.)
3. TSX:SIS (Savaria Corporation)
4. TSX:WELL (WELL Health Technologies Corp.)

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