



3 Small-Cap Stocks to Buy Before They Become Large Caps

Description

Focusing on small-cap stocks is one way investors can ensure their portfolios beat the market by a wide margin. In fact, it's one feature of an [A+ growth portfolio](#), as stated by Motley Fool co-founder, Tom Gardner. The reason small caps have a chance to generate greater returns than larger-sized stocks is all due to math. The law of large numbers, in a financial context, states that larger entities that are growing rapidly cannot sustain the growth forever. Here are three top small caps to buy before they become large caps.

Have you visited your doctor lately?

During the COVID-19 pandemic, many Canadians weren't able to visit their primary healthcare providers in-person. As a result, they had to find new ways to seek help. Fortunately, the telehealth industry was able to ramp up services last year, providing many Canadians with a viable alternative. Of the companies operating in that industry, **WELL Health Technologies** ([TSX:WELL](#)) stands out as a clear leader within Canada.

WELL Health operates 74 health clinics in Canada and an additional two in the United States. The company also supports more than 2,800 clinics across Canada on its EMR network. As of August 10, there are over 15 million registered patients on its EMR network. WELL Health also saw nearly 560,000 omni-channel patients in Q2 2021. By all measures, WELL Health is growing very well. With the telehealth industry expected to grow at a CAGR of 26.5% from 2021 to 2026, expect WELL Health to continue generating excellent numbers in the future.

This company has a winning playbook to follow

Imagine if a new consumer tech company was able to partner with **Apple**, or perhaps if an e-commerce company could learn how to become successful from **Amazon**. Those new companies would have such an advantage over other companies that are struggling to claw their way to the top of the industry. As a result, it should entice investors to invest heavily in those potential new market leaders. That's sort of the story we're seeing with **Topicus.com** ([TSXV:TOI](#)).

Topicus is an acquirer of vertical market software companies. Until February of this year, the company was a subsidiary of **Constellation Software**. Although it now operates as its own entity, the former parent company still plays a vital role in its day-to-day operations. With six executives sitting among Topicus's board of directors, Topicus has a rare opportunity to learn from a proven winner in its industry. Having already gained more than 99% since its IPO in February, there's good reason to believe this is just the start of its growth story.

The pandemic accelerated this company's business dramatically

When the COVID-19 pandemic led to business shutdowns around the world, the online grocery industry became a major beneficiary. Companies operating in that industry saw massive increases in subscribers and revenue over the past year. Now, more than a year since the peak of the pandemic closures, it seems as though these new subscribers have been sustained — at least according to financial reports from **Goodfood Market** ([TSX:FOOD](#)).

Before the pandemic, [Goodfood](#) already claimed about 40% of the Canadian meal kit industry. In its Q3 2021 earnings presentation, Goodfood reported that it has experienced a 17% year-over-year increase in active subscribers. This coupled with a 24% year-over-year increase in quarterly revenue suggests that the company is on track to success in a post-pandemic world. Valued at \$730 million, Goodfood is the smallest company in this article. However, it poses a very intriguing investment opportunity.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:FOOD (Goodfood Market)
2. TSX:WELL (WELL Health Technologies Corp.)
3. TSXV:TOI (Topicus.Com Inc.)

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Date

2025/08/22

Date Created

2021/08/30

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