



4 Canadian Small-Cap Stocks to Buy After Their Stellar Earnings

Description

Small-capitalization stocks have significant growth potential and could deliver superior returns over the long term. However, these companies are highly susceptible to market volatilities and are suitable for investors with higher risk-taking abilities. Meanwhile, here are four top Canadian small-cap stocks that have the potential to deliver superior returns over the next three years.

Goodfood Market

Goodfood Market ([TSX:FOOD](#)) is my first pick. It had reported a solid performance in its [May-ending quarter](#), with its top line crossing a \$100 million mark for the first time. Its top line grew by 24% during the quarter, while its gross margin expanded by 6.2%. The expanded product offerings and strengthening of its same-day fulfillment capabilities increased its average basket sizes and order frequency, driving its sales.

Meanwhile, I expect the upward momentum in the company's financials to continue amid the increased adoption of online shopping and the company's growth initiatives. Goodfood Market is venturing into new markets, strengthening its last-mile delivery capabilities, and investing in production growth and automation. The company has also launched a new mobile app to increase customer engagements and interactions. So, these initiatives could continue to drive the company's financials in the coming quarters.

WELL Health

WELL Health Technologies ([TSX:WELL](#)) is another small-cap stock that had reported an impressive second-quarter performance earlier this month. Its top line had grown by 484% due to its acquisition of CRH Medical and growth in its virtual services revenue. The company's EBITDA also increased from an adjusted EBITDA loss of \$0.5 million to \$11.9 million due to higher margins and revenue growth.

Meanwhile, the demand for telehealthcare services could sustain in the long run due to its convenience and accessibility, benefiting WELL Health. Further, the company had closed several acquisitions last

quarter, which had raised its revenue and EBITDA run-rate to \$400 million and \$100 million, respectively. The company has also strengthened its financial position by raising around \$300 million through various debt facilities. So, given the favourable market conditions and its continued strategic acquisitions, [I am bullish on WELL Health](#).

Savaria

Third on my list would be a Canadian accessibility solutions provider, **Savaria** ([TSX:SIS](#)). In the recently reported second quarter, the company's top line and adjusted EBITDA increased by 111% and 89.3%, respectively. Along with the acquisition of Handicare, the recovery in economic activities due to the easing of restrictions drove the company's financials.

Handicare's acquisition could expand its distribution network, broaden product offerings, boost product innovation, and improve efficiency. With Handicare generating over 70% of its revenue from Europe, the acquisition could also expand Savaria's revenue streams. The demand for accessibility solutions could increase in the coming years due to the growing aging population and rising income levels. So, Savaria's outlook looks healthy. The company also pays a monthly dividend, with its forward yield standing at 2.25%.

Interfor

My final pick is **Interfor** ([TSX:IFP](#)), which offers a diverse range of lumber products to customers worldwide. The company had posted a record performance in its June-ending quarter due to its strong operational performance and robust lumber prices. Its revenue and adjusted EBITDA increased by 177.1% and 1328.4%, respectively. Further, the company's adjusted EPS grew over 4,000% to \$6.67. The company also generates \$484.5 million of cash flow from operations strengthening its financial position.

Meanwhile, the outlook for Interfor looks healthy amid increasing demand for lumber due to the growing new housing starts and repair and remodeling activities. The company has increased its production capacity to 3.9 billion board feet by acquiring four sawmills for US\$372.0 million. So, I expect the uptrend in Interfor's stock price to continue.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:FOOD (Goodfood Market)
2. TSX:SIS (Savaria Corporation)
3. TSX:WELL (WELL Health Technologies Corp.)

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Date

2025/08/25

Date Created

2021/08/31

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