3 Small-Cap Stocks to Buy Before They Explode

Description

Several investors tend to stay away from small-cap stocks and believe them to be less stable than mid or large-cap securities. While market capitalization is a good indicator of the financial strength and market perception of a stock, not all small-cap stocks are inherently volatile.

And if you are looking for some good options within the small-cap stock pool, there are three stocks you should look into.

A high-yield stock

Senior care and nursing are evergreen industries, which makes **Extendicare** (TSX:EXE), a home healthcare service company that's at the forefront of senior care in the country, a stable and reliable holding, despite being small-cap. It has a market capitalization of about $704 million, which puts it near the middle of the "pool."

The company doesn't offer much in the way of capital appreciation, but it's a powerful dividend stock right now. It's offering a mouthwatering 6.1% yield at a very attractive valuation. Currently, the stock is on its way down from the yearly peak, so if you wait a while, you might be able to lock in an even better yield and at a more significant discount.

A healthcare stock

CloudMD Software & Services (TSXV:DOC) combine healthcare and tech in an efficient package. This Vancouver-based company is towards the lower end of the small-cap, with a market capitalization of just $392.7 million. It's partly low because of the relatively small size of the company's operations and partly because the stock has tumbled down almost 47% from its 2020 peak.

The company has been in business since 2013, but it only started trading on the junior exchange last year. It grew over 346% within the first five months of publicly trading. It has come down a long way from that peak, but the company has a lot of potentials, thanks mostly to its business model.

"Healthcare digitization" is still in its early stages and has explosive potential, which gives CloudMD the potential to explode as well (in coming years).

A meal kit company

Groceries are another evergreen business, and they have the potential of becoming a significantly more profitable one, riding the tech and innovation wave. And that's what the small-cap meal kit company **Goodfood Market** (TSX:FOOD) is trying to do. They deliver meal kits composed of farm-fresh ingredients that you can use to prepare yourself a healthy meal, and it's expected to be cheaper than eating out.

After a 25% decline from its recent peak, the company has now reached a market capitalization of $735 million. It offered phenomenal growth post-pandemic, and if you had bought the company during the 2020 market crash, it would have returned you almost 600% if you had also sold it at the right time (Jan 2021, when it hit the peak). It's based in Montreal but has offices and production facilities in other provinces as well.

Foolish takeaway

Two out of the three are tech stocks, which adds a bit to the notion of volatility associated with small-cap stocks. But they are also well-positioned to grow much higher than their current valuation or even their recent peaks. And the third stock, i.e., Extendicare, can be a powerful addition to your dividend portfolio.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

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2. TSX:FOOD (Goodfood Market)
3. TSXV:DOC (CloudMD Software & Services Inc.)

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Author
adamothman