3 Small-Cap Stocks That Could Double in Value

Description

When you are looking for stable dividend stocks, it's usually a good idea to stick to large-cap companies because even though the market cap doesn't necessarily guarantee healthy revenues, both tend to be proportional to each other, so large-cap, stable companies might have heavier and healthier revenues.

But when you are looking for growth stocks, you can confidently browse in the small-cap segment of the market as well. Many small-cap stocks offer great growth opportunities. And if you are looking for small-cap stocks that could double in value relatively soon, here are three that should be on your radar.

An oil and gas exploration company

With a market capitalization of $949.5 million, **Headwater Exploration** (TSX:HWX) is quite close to the edge of "small-cap." But the company has only recently started to enjoy this inflated market capitalization. The stock started climbing up in November 2020, and the market value of the company has grown almost 270% since then.

A price hike like this is usually accompanied by a brutal overvaluation, and Headwater Exploration is no exception. With a price-to-earnings of 117, the company is quite aggressively overvalued, especially compared to other energy stocks. But the energy sector is on the rise and is expected to stay that way for a while, so this small-cap stock might still have the potential to double your capital.

A graphite mining company

Gratomic (CVE:GRAT), with its $201 million market capitalization, is one of the relatively smaller players in the global graphite mining industry. The company has set its sight on becoming the largest vein graphite producer around the globe. Vein graphite tends to be in its most natural form, which gives its miners more leeway to become environmentally friendly.

The company has a presence in Namibia, where it has both a mining operation and a processing facility. It's making a play for EV vehicles and the energy storage supply chain. Both markets are expected to boom in the coming years. Graphite is used in solar panels, batteries, and electrodes (thanks to its conductive properties) and has a prominent place in a green future.

An air purification equipment company

Xebec (TSX:XBC) has come a very long way down from its pre-pandemic glorious peak. It's currently trading at a 76% discount from its peak valuation, and judging from the downward slope its stock price is showing, the company has yet to hit rock bottom. And so now might be the perfect time to buy this small-cap stock (market capitalization: $405 million).

Before the pandemic and the monstrous 439% post-pandemic peak, Xebec was a steady growth stock. The company grew its valuation from a fraction of a dollar to early single digits (before the pandemic) and to double digits (post-pandemic peak). Now, it was fallen to the valuation point it would have been at if the pandemic hadn't hit. And if the stock resumes its usual growth pace, it would have little trouble doubling in value.

Foolish takeaway

The three stocks are poised to grow your capital, and 100% might not be the limit of their potential. But the timelines are likely to be very different. Xebec is expected to be a steady growth stock, whereas Gratomic might surge with the demand for graphite. Headwater Exploration, on the other hand, might double in value quite soon.

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adamothman