2 Small-Cap Stocks With Large-Cap Potential

Description

Investors looking to land massive gains in the stock market should focus on small-cap stocks. These are generally companies that have a market cap of $2 billion or less. However, depending on the industry, investors often raise that market cap ceiling. For instance, a $3 billion tech company would still be considered quite small. The reason small-cap stocks should be targeted by growth investors is because smaller companies tend to grow at faster rates. If a small cap can become a large cap, investors would have realized a five-fold (or 500%) gain.

With that in mind, which stocks should investors put at the top of their watchlist? In this article, I'll discuss two small-cap stocks with large-cap potential.

A different play on the e-commerce industry

Avid readers of the Motley Fool will know that I'm very bullish on the e-commerce industry. I believe that there is so much growth left in that space. Yes, we've seen consumers greatly shift towards online shopping over the past couple of years. However, we're still much closer to the start of the industry's growth story than the end of it. In Canada, e-commerce accounted for about 4% of all retail sales in 2019 and just over 11% in 2020. In the United Kingdom, e-commerce sales account for about 25% of all retail sales. Clearly, the potential for massive growth lies ahead.

Goodfood Market (TSX:FOOD) provides investors with another way to invest in the growing e-commerce industry. Goodfood is an online grocery and meal kit company. It's estimated that the company claims 40-45% of the Canadian meal kit market. As the company continues to grow, investors could see that market share continue to increase. Goodfood is currently valued at $606 million. With the growth of the e-commerce industry driving Goodfood's growth, it could become a large cap one day. If that happens, investors would have seen returns greater than 1,000%.

This company is more than a COVID stock

One of my favourite small-cap stocks on the **TSX** is **Docebo** (TSX:DCBO)(NASDAQ:DCBO).

Shareholders of this stock will know that Docebo performed very well in 2020. In fact, the stock rose about 400% that year. Much of this growth came as a result of the COVID-19 pandemic. As lockdowns became widespread, businesses needed to find remote solutions to train employees. Docebo's cloud-based, AI-powered eLearning platform was the solution of choice for many. Thus, investors shot Docebo stock through the roof.

However, the story doesn't end there. Businesses needed to invest a lot of time and money into optimizing their training solutions to accommodate for the pandemic. It would require a lot more time and money to revert things back to how they once were, if businesses choose to stop using these remote training solutions. Therefore, the probability of businesses leaving is quite low. This should give Docebo an opportunity to see sustained growth.

The company has certainly done a great job of attracting great customers. Late last year, Docebo announced that it had won a multi-year agreement to power AWS Training and Certification offerings worldwide. Docebo is becoming very popular among American investors, as well, thanks to its recent listing on the **Nasdaq**. This provides the company with even more opportunities for growth. This stock has all of the opportunity in the world to become a large cap.

CATEGORY

1. Investing

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2. TSX:DCBO (Docebo Inc.)
3. TSX:FOOD (Goodfood Market)

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jedlloren