



3 Small-Cap Stocks Worth Holding in Your Portfolio

Description

[Small caps](#) are generally referred to stocks that are valued under \$2 billion. These stocks are highly sought after by growth investors, because they offer the potential for massive growth over the long run. With that said, there are a lot of risks that come with small-cap stocks. For one, they're less established than blue-chip stocks. That leaves investors vulnerable to massive downside if a small cap is unable to continue growing at a steady rate. In this article, I'll discuss three small-cap stocks worth holding in your portfolio.

Could this stock be the next Constellation Software?

Constellation Software is one of the most impressive stocks in **TSX** history. It has established itself as a superior consolidator of tech businesses. Unfortunately, investors that don't already have a position in the company have missed out on massive gains. That's why many are looking for "the next Constellation Software." Although it's tough to replicate its success, that doesn't mean there aren't companies that aim to do just that. **Enghouse Systems** ([TSX:ENGH](#)) is an example of such a company.

Like Constellation Software, Enghouse seeks to achieve growth by acquiring tech businesses. Enghouse's business is divided into two segments: Interactive Management Group (IMG) and Asset Management Group (AMG). IMG focuses on customer interaction solutions. However, AMG focuses on a much wider range of solutions, which include media, defence, transit, and supply chain.

These are all very important industries to focus on, and Enghouse is right in the middle of it all. If [Enghouse can acquire](#) the right businesses at reasonable valuations, it has a chance to become a massive company in the future.

A play on the e-commerce industry

Today, the e-commerce industry plays such a vital role in our day to day lives. Many consumers have become accustomed to making purchases online, because of the COVID-19 pandemic. Personally, I

feel like the e-commerce industry still has a lot of room to grow. Generally, younger consumers have gravitated towards online shopping, even before the pandemic. As those consumers grow older and represent a large fraction of the global consumer base, e-commerce companies should succeed.

Goodfood Market ([TSX:FOOD](#)) is an excellent stock to consider as a play in the e-commerce industry. It is an online grocery and meal kit company. It's estimated that the company holds a 40-45% share of the Canadian meal kit industry. Over the past six years, the company has grown at a staggering rate. In 2016, Goodfood recorded \$3 million in revenue. In 2021, the company's revenue totaled \$379 million! That represents a CAGR of about 163%!

Goodfood stock has suffered lately. However, I feel like it's only a matter of time before investors start to see the upside in this stock once again.

This could be a home-run stock

In my opinion, a home-run stock is one that can generate a 10 times return over the long run. Although it'll be very hard for **WELL Health Technologies** ([TSX:WELL](#)) to do that, I think it has a chance. The company operates in the telehealth industry and is helping change healthcare as we know it. WELL Health's business can be described as three-pronged.

First, it operates healthcare clinics. It also operates a massive EMR network, which supports more than 2,800 clinics. Finally, WELL Health provides an online marketplace where healthcare providers can access software solutions to improve their telehealth offerings.

WELL Health has mainly grown via an aggressive acquisition strategy. This is a very difficult strategy to execute; one bad transaction could set a company back many years. Fortunately, WELL Health's CEO Hamed Shahbazi is very experienced in this aspect of business. His previous company grew following a similar strategy until it was acquired by **PayPal** for \$304 million.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)
2. TSX:FOOD (Goodfood Market)
3. TSX:WELL (WELL Health Technologies Corp.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. jedlloren
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/08/22

Date Created

2022/03/01

Author

jedlloren

default watermark

default watermark