3 Small-Cap Stocks With Huge Growth Potential

Description

Small-cap companies have their market capitalization between $300 million and $2 billion. These companies possess higher-growth potential and have the potential to deliver solid returns in the long run. However, these companies can be highly volatile and vulnerable to market volatility. So, given their volatile nature, investors with higher risk-taking abilities can invest in them. Meanwhile, here are my three top picks.

goeasy

goeasy (TSX:GSY), which provides leasing and lending services to sub-prime customers, is my first pick. It has grown its financials at a healthy rate over the last 20 years, with its adjusted net income growing at a CAGR of 31%. Despite its impressive growth, the company has acquired just 3% of its addressable market, thus providing a substantial growth potential.

With the improvement in economic activities amid the easing of COVID-related restrictions, loan originations have increased, benefiting goeasy. Meanwhile, the company is focusing on strengthening its omnichannel lending services, venturing into new markets, increasing its penetration in key geographic markets, and improving customer experience to expand its market share.

Notably, the company has set optimistic guidance for the next three years, with its loan portfolio projected to grow 67% to reach $3.6 billion by 2026.

Despite its healthy growth potential, goeasy trades at an attractive NTM price-to-earnings multiple of 7.9. It is also growing its dividend at a CAGR of 34% since 2014. Considering all these factors, I am bullish on goeasy.

WELL Health Technologies

WELL Health Technologies (TSX:WELL) is a digital healthcare company that facilitates healthcare professionals in providing omnichannel solutions. Meanwhile, given their convenience and accessibility, telehealthcare services are becoming popular, thus driving the demand for the company's services.

Meanwhile, WELL Health had recently announced to ramp up its M&A activities. Last month, it signed an agreement to acquire INLIV, a premium omnichannel primary care provider. The acquisition could allow the company to expand its footprint in Alberta. Additionally, the company has strengthened its presence in the United States by acquiring Circle Medical and Wisp. The combined revenue from both companies has crossed $110 million in annualized run rate. So, its growth prospects look healthy.

However, amid the weakness in growth stocks, WELL Health has lost around 65% of its stock value compared to its 52-week highs. The correction has dragged its NTM price-to-earnings multiple down to an attractive 14.5. So, given its high-growth prospects and attractive valuation, I expect WELL Health to deliver multi-fold returns in the long run.

Docebo

Docebo (TSX:DCBO)(NASDAQ:DCBO), which offers corporate e-learning solutions, is my final pick. Amid the increased adoption of hybrid work culture and remote learning, the demand for e-learning solutions is rising. Meanwhile, Fosway Group projects the LMS (learning management system) market to grow at a CAGR of 21% from 2019 to 2025.

Docebo's growing customer base, increasing average contract value, and multi-year agreements with clients could support its growth in the coming years. Meanwhile, it also earns over 90% of its revenue from recurring sources, which is encouraging. Despite its healthy growth potential, Docebo has lost over 65% of its stock value compared to its 52-week high. So, given its high growth potential, I believe investors should utilize the steep pullback to accumulate the stock to earn solid returns over the next 10 years.

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2. TSX:DCBO (Docebo Inc.)
3. TSX:GSY (goeasy Ltd.)
4. TSX:WELL (WELL Health Technologies Corp.)

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