



## These 2 Canadian Small Cap Stocks Are All-Stars in the Making

### Description

*Editor's note: The number of units owned by Mainstreet and the market value of the company's portfolio have been corrected.*

Many market leaders initially started off as small-cap stocks. For example, the market cap of **Amazon** was around US\$100 million 25 years back, while **Tesla** was valued at US\$1 billion in 2010. Typically, small-cap stocks have [market caps](#) between \$300 million and \$2 billion.

While not every small-cap stock is a winning bet, investing in these companies can be quite rewarding over the long term as they have a compelling risk-reward profile and massive growth potential.

Here, I have shortlisted two Canadian small-cap stocks that can deliver market-beating gains to investors in the upcoming decade.

### Goeasy

Valued at a market cap of \$1.7 billion, shares of **Goeasy** ([TSX:GSY](#)) are trading almost 50% below record highs. Despite the pullback, GSY stock has returned 3,920% to investors in the last two decades. Further, it offers investors a tasty dividend yield of 3.5%.

Goeasy began paying investors a dividend back in May 2004. If you had invested \$1,000 in GSY stock 18 years back, you would have purchased 134 shares of the company. In the next 12 months, you would have earned \$16.1 in dividends, indicating a yield of 1.6%.

In the next 12 months, investors with 134 GSY shares will earn close to \$490 in annual dividends. The company has increased these payouts at an annual rate of 28.5%.

Goeasy continues to grow at a rapid pace and is forecast to increase revenue 45% to \$1.2 billion in 2023. Yes, it is part of the highly cyclical lending industry, and rising interest rates might increase the risk of customer defaults in the near term. But Bay Street expects Goeasy to expand adjusted earnings to \$15 per share in 2023 from \$10.43 per share in 2021.

So GSY stock is trading at a 2023 price-to-sales multiple of 1.4 and price-to-earnings multiple of just over 7, which is very cheap for a high-growth stock. Analysts expect Goeasy to increase its bottom line at an annual rate of 12% in the next five years. Propelled by this earnings power, they forecast the stock to increase by 90% in the next 12 months.

## Mainstreet Equity

A TSX stock that offers investors exposure to Canada's [real estate market](#), **Mainstreet Equity** ([TSX:MEQ](#)) is valued at a market cap of \$1 billion. In the last 20 years, MEQ stock has returned a staggering 3,850% to investors, easily crushing broader market returns.

Over two decades, Mainstreet has expanded its portfolio from 272 to almost 16,000 units while its market value increased from \$17 million to \$2.8 billion. The company has successfully acquired underperforming properties in Canada, renovated them "to a branded standard", improved operating efficiencies, and repositioned them in the market for robust returns.

It now aims to be a leading provider of Canada's affordable mid-market rental properties with fewer than 100 units. Analysts tracking the stock expect revenue to rise from \$160 million in 2021 to \$195 million, valuing it at five times forward sales. It's also trading at a discount of over 25% compared to average consensus price target estimates.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)
2. TSX:MEQ (Mainstreet Equity Corp.)

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