These 2 Canadian Small Cap Stocks Are Rising Stars

Description

Small-cap companies have a market capitalization between $300 million to $2 billion. These companies have higher growth potential and thus could deliver superior returns in the long run. However, they are also highly susceptible to market fluctuations. So, investing in these stocks would be a high-risk, high-reward strategy. Keep in mind, many large corporations started as small-cap companies and grew over time, enhancing shareholders' returns.

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So, if you have a higher risk tolerance capacity, here are my two top picks, which have the potential to multiply your investments over the next 10 years.

WELL Health Technologies

With a market cap of $645 million, **WELL Health Technologies** (TSX:WELL) would be my first pick. Despite the challenging environment, the digital healthcare company has been delivering solid quarterly earnings. In its September-ending quarter, the company's revenue and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) increased by 47% and 23%, respectively.

Strong organic growth and contributions from its acquisitions over the last four quarters drove its financials. WELL had an overall patient engagement of 1.25 million during the quarter for an annualized rate of 5 million. After reporting its third-quarter earnings, management raised its revenue guidance by $15 million to $565 million. Further, the company expects adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) to cross $100 million this year.

Telehealthcare services are becoming popular, given their accessibility, convenience, and cost-effectiveness. Also, technological advancements and greater penetration of internet services have supported the expansion of the telehealthcare market. Meanwhile, Fortune Business Insights projects the global telehealthcare market to grow at a CAGR (compounded annual growth rate) of 32.1% from 2021 to 2028. At the same time, WELL Health is expanding its footprint in the United States, which could drive its financials in the coming years. So, the company's growth prospects look healthy.

However, amid the recent sell-off in growth stocks, WELL Health has lost around 49% of its stock value compared to its March highs. Amid the steep correction, the company's NTM (next 12 months) price-to-earnings multiple has declined to an attractive 11. So, considering all these factors, I believe WELL Health would be an ideal buy for long-term investors.

Docebo

Docebo (TSX:DCBO) is an e-learning solution provider with a market capitalization of $1.5 billion. Supported by its artificial intelligence-powered e-learnings solutions, the company's financials are growing at a healthier rate. Since 2016, Docebo has been growing its revenue at a CAGR of 60%. This year, revenue grew by 39.4% driven by an expanding customer base and increasing average contract value.

Over the last four quarters, Docebo has added 609 customers, including blue-chip companies. Noteworthy, around 80% of its customers have signed long-term contracts. Its average contract value has expanded by 13.5% to US$44,561. While the company's adjusted EBITDA losses declined by around 85% to US$0.9 million during the three quarters.

Meanwhile, Global Market Insights projects the global e-learning market to grow at a CAGR of 20% over the next six years. Given its highly customizable and artificial intelligence-powered platform, Docebo is well-positioned to benefit from the market expansion. However, in the recent pullback, DCBO stock has lost around 50% of its stock value from its 52-week high. So, given its high-growth prospects and discounted stock price, I expect Docebo to deliver multi-fold returns over the next 10 years.

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