3 Canadian Small-Cap Gems You'll Want to Buy (Before Everyone Else Does)

Description

Usually, small-cap companies will be young and offer higher growth prospects. So, these companies tend to deliver superior returns in the long run. However, they are highly susceptible to market volatility, thus making them risker than mid- and large-cap companies. So, if you have an appetite for high-risk and high-return stocks, here are my three top picks.

Dye & Durham

Dye & Durham (TSX:DND) offers practice management solutions to legal, financial, and business professionals that could improve their efficiency and profitability. The company has witnessed solid buying over the last few months, with its stock price rising by over 90% from its 52-week lows. The termination of the long-due acquisition of Link Group, the acquisition of Insight Legal Software, and the improvement in investors' sentiments amid signs of cooling inflation appear to have driven the company's stock price.

Although the acquisition of Link Group could have added A$257 million of adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), the delay had stalled Dye & Durham's other growth initiatives. So, the deal's termination has freed up resources, thus allowing it to support additional growth initiatives. The acquisition of Insight Legal Software has expanded its product offering while strengthening its footprint in the United Kingdom. Despite its accelerated acquisitions, Dye & Durham has maintained its adjusted EBITDA margin above 50%, which is encouraging.

Considering its growth prospects and an attractive NTM (next 12-month) price-to-sales multiple of 2.6, I believe Dye & Durham would be an excellent buy for long-term investors.

Jamieson Wellness

Jamieson Wellness (TSX:JWEL) is a Canadian health and wellness company that has grown its organic revenue at a healthier CAGR (compound annual growth rate) of 10.6% since going public in 2017. I expect the uptrend to continue amid a growing aging population and the company's expansion in high-growth markets, such as the United States and China.

In July, the company acquired Nutrawise Health & Beauty Corporation, which produces and marketers premium supplements under the youtheory brand, for around $265 million. The acquisition has expanded its presence in the United States. The company has signed an agreement to acquire both tangible and non-tangible assets of its distribution partner in China, thus allowing the company more control over its products' marketing and distribution.

Further, Jamieson Wellness trades 20.3 times analysts' projected earnings for the next four quarters, making it an attractive buy.

goeasy

goeasy (TSX:GSY) is another excellent small-cap stock to have in your portfolio. The company has been growing its revenue and diluted EPS (earnings per share) at a CAGR of 20% and 28%, respectively. Despite its solid growth, the company has acquired around 3% of its addressable market. So, it has substantial scope for expansion. Given its expanded product offering, omnichannel distribution, and increased penetration, the company is well positioned to grow its market share in the coming years.

Meanwhile, goeasy's management expects its loan portfolio to grow by 54% over the next three years to reach $4 billion by the end of 2024. The company has planned to open 10-15 easyfinancial locations in 2023 and five easyfinancial locations in 2024, which could support its growth. The expansion of the loan portfolio could grow its revenue and operating profits. Meanwhile, the management expects a return on equity of over 22% annually for the next three years. The company also pays quarterly dividends, with its yield for the next 12 months at 2.87%.

CATEGORY

1. Investing

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2. TSX:GSY (goeasy Ltd.)
3. TSX:JWEL (Jamieson Wellness Inc.)

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1. Investing

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