5 Growth Stocks That Could Double in the Next Few Years

Description

The driving force behind stock-price appreciation is earnings growth. Quality companies with strong earnings growth can boost the returns of your portfolio tremendously.

Here are five companies, in no particular order, which could double in the next few years and turn a $50,000 investment into $100,000 or more.

Starbucks Corporation (NASDAQ:SBUX) has delivered superb returns. In the past five years, a $10,000 investment has turned into $31,460 for a total return of almost 215%, or an annualized rate of return of 28%.

In the medium term, its earnings per share (EPS) is estimated to grow 16-18% per year. If that were to materialize, in five years a $10,000 investment in Starbucks today could turn into $21,920 to $23,860, including dividends received, if its current multiple remains constant.

Alimentation Couche-Tard Inc. (TSX:ATD.B) has just been amazing. In the past five years, a $10,000 investment has turned into $55,780 for a total return of about 450%, or an annualized return of 45%.

In the medium term, its EPS is estimated to grow about 13% per year. If that were to materialize, in six years a $10,000 investment in Couche-Tard today could turn into $20,800 if its multiple remains constant.

Hormel Foods Corp (NYSE:HRL) has experienced monstrous growth for a consumer staples company with a long history that goes as far back as 1891.

In the past five years, a $10,000 investment has turned into $28,290 for a total return of about 182%, or an annualized return of 25.8%.

In the medium term, its EPS is estimated to grow 12-14% per year. If that were to materialize, in five years a $10,000 investment in Hormel Foods today could turn into $22,100-25,000, including dividends received, if its current multiple remains constant.

Exco Technologies Limited (TSX:XTC) has been outstanding. In the past five years, a $10,000 investment has turned into $42,760 for a total return of about 327%, or an annualized return of 37%.

In the medium term, its EPS is estimated to grow 26-29% per year. If that were to materialize, in three years a $10,000 investment in Exco today could turn into $20,970 to $22,480, including dividends received, if its current multiple remains constant.

Facebook Inc. (NASDAQ:FB) has a shorter history than the rest since it only started trading on the market in 2012. However, its growth has been spectacular. Since trading, a $10,000 investment would have turned into $40,370 for a total return of 300%, or an annualized return of 42%.

In the medium term, its EPS is estimated to grow about 29-32% per year. If that were to materialize, in three years a $10,000 investment in Facebook today could turn into $21,400-23,000 if its multiple remains constant.

Conclusion

If growth stocks do so well, why doesn't everyone flock to them instead of buying comparatively slower-growth stocks that are hitting new highs today, while these growth stocks generally aren't?

High-growth stocks, such as the five listed, could slow their earnings growth any time. If they do, their relatively high multiples would contract and the estimated high returns wouldn't materialize.

In the best-case scenario, these growth stocks achieve these estimated growth rates or even beat them.

In a not-so-bad case, they grow a bit slower than the forecasted growth rates.

In the worst-case scenario, they could grow much slower than anticipated, and their multiples could contract so much that it could cause a huge drop in the stock price.

That's why some investors allocate perhaps 20% of their stock portfolio in high-growth stocks such as these, while a bigger portion of their portfolio is in high-yield, slower-growth dividend stocks.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:META (Meta Platforms Inc.)
2. NASDAQ:SBUX (Starbucks Corporation)
3. NYSE:HRL (Hormel Foods Corporation)

4. TSX:XTC (Exco Technologies Limited)

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