3 Companies With a Lot to Prove in 2018

Description

The S&P/TSX Index has climbed 0.5% week over week as of close on December 13. The index is now up 5.4% on the year. However, with a slowing Canadian economy and the promise of further rate hikes, market watchers are on the lookout for growth prospects for next year. Let's look at three stocks that have had a terrific 2017 thus far but will be tested in 2018.

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) stock has increased 129% in 2017. Shopify released its third-quarter results on October 31. The company achieved operating profitability for the first time since it has been publicly listed in 2015. Revenue and gross profit also jumped 72% and 86%, respectively, year over year.

Shopify stock has suffered since becoming the target of short seller Andrew Left in his investment paper Citron Research. Shares have dropped 10% since the initial report was published. CEO Tobias Lütke has dismissed Left as a "troll" and has expressed confidence that Shopify will continue to impress through its earnings.

In a recent article, I'd discussed why the improved performance from e-commerce retailer on Black Friday and Cyber Monday should boost confidence in Shopify's model.

Aurora Cannabis Inc. (TSX:ACB) stock has climbed over 150% since being relisted on the TSX in July. The stock more than doubled in price in November. Aurora Cannabis also posted record revenues and a more than 35% uptick in grams produced in the fourth quarter. However, its attempt at a hostile takeover of **CanniMed Therapeutics Inc.** may prove to be an overreach.

CanniMed leadership responded by calling Aurora Cannabis's stock valuation into question. The company originally had until March 2018 to respond to the bid. On December 11, CanniMed pursued legal action against what it called an "insider bid" that it claims was designed to further inflate Aurora Cannabis's share price.

Aurora Cannabis and other producers may also have to deal with a potential delay in recreational legalization as the Canadian Senate mulls over bills C-45 and C-46.

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS) stock has increased 42.4% over a three-month span. The company released its fiscal 2018 second-quarter results on November 9. Revenue jumped 34.7% year over year to $172.3 million in the quarter. The company adjusted its forecast for fiscal 2018, bumping up its expectation for annual growth in adjusted net income per diluted share up to 35% compared to its original 20% projection.

Canada Goose saw a huge boost in its e-commerce business during the second quarter. Direct-to-consumer revenue rose to $20.3 million compared to $5.5 million in the second quarter of fiscal 2017. Wholesale revenue also saw an improvement moving to $152.1 million from $122.4 million.

I targeted Canada Goose as my top stock for December, as the company gears up for a big holiday spending season. Many investors are anxious about the staying power of clothing brands, especially in what has emerged as a seemingly hostile economic environment for retailers. However, Canada Goose boasts a premium product and an extremely strong e-commerce platform.

I like Canada Goose to emerge as a top retail growth stock in 2018.

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2. NYSE:SHOP (Shopify Inc.)
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aocallaghan