



2 Tech Stocks That Will Continue to Outperform the TSX

Description

The market has been under pressure this year and investors should look for stocks that will beat the market when times are tough. Although past performance isn't indicative of future success, two tech stocks are poised to outperform over the next few years. It doesn't matter whether we're in a bull or a bear market, **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) will continue to outperform the TSX.

Shopify is Canada's tech darling. Since its IPO, Shopify's share price has returned 463% as compared to the TSX' 3.56% return over the same period. Year-to-date (YTD), the TSX has lost 3% of its value, while Shopify's share price has posted an impressive gain of approximately 45%. Needless to say, Shopify has rewarded investors far more significantly than those whose investments track the index.

Shopify is not yet profitable; thus, it's best to analyse its performance based on revenue growth. In 2017, revenues grew by approximately 78%, and the company expects revenue growth of 45% in 2018. Conversely, strategists expect the TSX index to provide modest returns of approximately 4% in 2018.

The consensus among the analysts is a "buy" rating on the stock, which has held steady over the past few months. Shopify has a target market penetration of 1.2%, and with an estimated strong customer base of 50 million, the company is well positioned to continue its rapid growth over the next few years.

CGI Group is Canada's largest information technology services communications firm and a global player with a "[build and buy](#)" growth strategy. The company has handily beaten the TSX with gains of 14.57% over the past year and 48.64% over the past three years. In contrast, the TSX has remained relatively flat over the same periods.

This outperformance has continued in 2018 as CGI's stock has returned almost 10% YTD. Going forward, the company is expected to grow earnings by a compound annual growth rate (CAGR) of 11.5% through 2018. CGI's management expects the company to double in size over the next five to seven years, which is equal to a CAGR of 10-14%. In the current bull market, the TSX has a five-year CAGR of approximately 6.4%. Even if the TSX were to mirror its performance over the past five years,

it likely still wouldn't match CGI's growth prospects.

Investors would therefore be wise to invest in stocks that are well positioned to beat the market over the next few years. The current [bull market is nine years old](#), and data points to a recession every 7.69 years on average. Is a bear market just around the corner? Despite that very real possibility, investors can count on Shopify and CGI Group to continue outperforming the TSX.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:GIB (CGI Group Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:GIB.A (CGI)
4. TSX:SHOP (Shopify Inc.)

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