2 High-Growth Stocks That Keep Beating the Market

Description

If nobody was able to beat the market by picking individual stocks, then it would be wise to just own an ETF that replicates the market. But it is actually possible to beat the market by selecting stocks that have better growth prospects than the overall market.

I present two stocks that beat the market last year and that are on their way to outperform the TSX again this year.

Shopify Inc. (TSX:SHOP)(NYSE:SHOP)

Shopify's performance is quite impressive. This technology stock has had positive returns, far higher than the market, since its IPO in 2015. The stock rose by 120% in 2017, while the TSX returned only 6%.

Since the beginning of the year, Shopify's shares are up by more than 50%, while the TSX is down -3%.

Shopify is constantly beating expectations, and the last quarter was no exception.

Its 2017 fourth-quarter revenue jumped 71% from US$130.4 million a year ago to US$222.8 million, beating analysts' expectations of US$209.3 million. The company posted a loss of US$3 million, or US$3 per share, much lower than the loss of US$8.9 million, or US$10 per share, it incurred last year.

Shopify's adjusted earnings were US$14.7 million, or US$0.15 per share, in its last quarter, a big improvement compared to the loss of US$400,000, or US$0.00 per share, it posted in 2016 last quarter. Analysts expected on average an adjusted profit of only $0.05 per share.

Earnings are expected to grow at a high rate of 50% this year, and at an even higher rate of 125% next year. Growth prospects are thus very good, and you should expect the share price to continue to rise far above the market.

Part of Shopify's success lies in its ability to stay innovative by using cutting-edge technology such as artificial intelligence. Shopify now allows merchants to sell on Instagram and has integrated Google Pay in its e-commerce platform to improve mobile checkout.

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS)

Canada Goose is another growth stock that has beaten the market since it began trading on the TSX and continues to outperform. The stock has returned about 97% since its IPO on March 16, 2017.

Since the beginning of the year, Canada Goose's share price is up by more than 18%, which is about 21% higher than the return of the TSX.

Canada Goose is constantly beating expectations, and the last quarter was no exception.

Total revenue jumped 27% to $265.8 million in fiscal 2018 third quarter. Direct-to-consumer revenue almost doubled to $131.6 million as the luxury parka maker added seven e-commerce channels and five stores to its network.

The company's net income was $62.9 million, or $0.56 per share, in the third quarter — up 61% and 47%, respectively, compared to the same quarter a year ago.

Profit, excluding some items, rose to $0.58 per share in the quarter, beating average analyst estimates of $0.48 per share.

The luxury coat maker posted operating margins of 60% on online and own-store sales versus 43% from wholesale. To boost margins, Canada Goose is planning to bring more manufacturing in house. The company aims to make at least half of its outerwear itself in a few years, up from about a third now.

Canada Goose's growth is strong everywhere in the world, and it still has plenty opportunities to grow internationally. Earnings are expected to grow at a rate of 58% this year and by 26.5% next year, which is way higher than other retailers. For instance, **Gildan Activewear Inc.'s** (TSX:GIL)(NYSE:GIL) earnings are expected to grow by only 8.7% this year and by 10.2% next year.

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