



Beat the Market With These 2 Multi-Baggers

Description

The stocks of both **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Birchcliff Energy Ltd.** ([TSX:BIR](#)) have appreciated tremendously recently, easily beating the market.

Shopify stock has more than doubled in the last 12 months, while Birchcliff stock is nearly up 23% in the last week. They could very well be the multi-baggers that total returns investors are searching for.

The opportunity in Shopify

Shopify is the leading multi-channel commerce platform for businesses. It initially focused on solving the problem of selling on different platforms for entrepreneurs and small businesses, but it has evolved to also create solutions for big brands, such as Budweiser, *The Economist*, Red Bull, and **Tesla**.

This month, Shopify enabled shopping on Instagram (a popular app that **Facebook** acquired in 2012) in the U.K., Australia, Canada, Germany, France, Italy, Spain, and Brazil. This expansion unlocks the potential for Shopify's merchants to sell to Instagram users globally.

Any value investor would tell you that Shopify is way overvalued. However, they would have told you the same thing a year or two ago. If you look at Shopify's valuation metrics, you'll likely shy away from the stock. The fact is, Shopify is growing at a fast pace. For example, its 2017 revenue growth was 73% year over year.

With Shopify now holding about 9% of the global e-commerce platform market share, there is a lot of runway for the stock to grow, not to mention that e-commerce is a growing industry. According to Statista, global retail e-commerce sales are estimated to grow at a compound annual growth rate of ~21% for the next three years. This double-digit growth will be an enormous benefit for Shopify.



The opportunity in Birchcliff

Oil and gas stocks have been punished severely. They're painted with a wide brush. However, Birchcliff, the low-cost Montney natural gas and light oil player, has a pristine balance sheet, is growing its production, and is generating strong cash flow.

In Q4 2017, Birchcliff's average production was ~80,100 barrel of oil equivalent (boe) per day, which was materially higher than its 2017 average production of ~68,000 boe per day.

Birchcliff's higher production translated to cash flow per share of \$0.36 in Q4. Projecting that for the full year and assuming no growth, at the recent quotation of \$3.79 per share, Birchcliff trades at ~2.6 times its cash flow. Birchcliff is also trading at a +40% discount from its book value. In other words, the company is dirt cheap, despite popping 23% in the last week.

What's more is that management actually estimates Birchcliff's average production growth will be 76,000-78,000 boe per day this year, which represents ~13% growth compared to 2017.

If we see an energy bull market, Birchcliff can deliver amazing upside. An analyst who specializes in analyzing energy stocks gave Birchcliff Energy a 12-month target price of \$9 per share and a three- to five-year target price of \$15 per share, which implies Birchcliff is a potential four-bagger!

Investor takeaway

Shopify and Birchcliff are very different stocks, but both can be [multi-baggers](#) in time. Just keep in mind that you'll get your fair share of [risk](#) and volatility when you invest in them. The stocks can have large ups or downs in a single day.

A good way to invest in Shopify and Birchcliff is to start a position today and then add to the stocks on meaningful dips when there's temporary bad news.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:SHOP (Shopify Inc.)

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