2 Growth Stocks With a Solid History of Beating the Market

Description

With the Canadian stock market stuck in the mud this year, it's very tough for investors to find good growth opportunities. Here are two growth stocks that have a solid track record of delivering explosive returns.

Dollarama

Dollarama Inc. (TSX:DOL), Canada's largest owner and operator of dollar stores, has been a great stock for investors seeking growth in their capital. During the past five years, this stock has returned 370%, assuming you had re-invested all your dividends back into the company.

A company's history doesn't guarantee future performance, but Dollarama has done many things right, which has positioned this discount retailer to outperform the market.

First, Dollarama has been consistently successful in placing the right product mix that Canadian middle-class consumers want. Dollarama began introducing goods priced above $1 in 2009 and has slowly incorporated pricier merchandise to its mix, introducing the $3.50 and $4 price points in 2016.

Dollarama also benefited from a less-saturated space for discount retailers in Canada when compared to the U.S. Its longstanding policy to stay away from fresh food has also paid off.

Trading at $155.55, Dollarama is a strong candidate for investors aiming to make market-beating returns. Dollarama also offers a small 0.29% dividend yield, which translates into $0.43 a share annual payout. With a payout ratio of just under 10%, the company has a lot of room to grow its dividend.

Shopify

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) is another high-momentum growth stock that has delivered more than 400% gains to investors since its IPO in 2015. The company, which provides an e-commerce platform to businesses globally, has been a great success story in the tech world.

In a few years, Shopify has achieved the reliability and scale that many top technology companies envy. Shopify currently powers more than 500,000 businesses in 175 countries with some top global brands using its platform.

For future growth, Shopify plans to expand into new non-English-speaking markets, targeting some of the world's largest economies, such as Japan, Singapore, France, and Germany.

Trading at $176.01 a share, Shopify stock is up 33% so far in 2018 compared to a 6% decline in the S&P/TSX Composite Index. These gains came despite the sale calls by famous short seller Andrew Left of Citron Research, who last year severely criticized the company's growth model and raised doubts about the sustainability of many of its small-business users.

Which stock is better?

I like both Dollarama and Shopify due to their unique business models and great potential for the future growth. But remember, high-growth stocks come with a greater risk of downside if these companies miss their earning targets. If you have an appetite for taking risks, then I would recommend dividing your investment equally between these two names to take advantage of these growth opportunities.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:SHOP (Shopify Inc.)

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