

2 High-Growth Stocks That Are Just Getting Started

Description

[High-growth stocks](#) can handily beat the long-term average Canadian market returns of less than 10% per year. We believe **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)) are high-growth stocks that you should consider, as their growth stories are just getting started.

Shopify stock

Shopify is a remarkable growth stock. Although the market delivered outstanding returns of about 11% in the last 12 months, Shopify stock was even more incredible by appreciating 84% in the period.

There are strong reasons to believe that Shopify is just getting started on its journey of high growth.

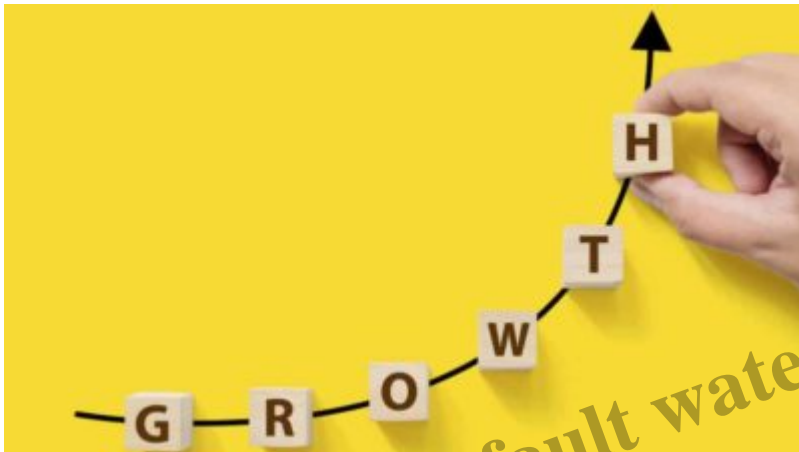
First, the leading multi-channel commerce platform continues to grow its revenue at a magnificent rate. Last quarter, its revenue climbed 27% compared to the prior quarter. Looking at the bigger picture, its revenue increased by 59% last year.

Second, Shopify has been heavily invested in research and development, which was specifically 21.5% of its total revenue in 2018. Research and development leads to innovative products and services, and innovation leads to value creation.

As an example of value creation, Shopify just launched a new retail hardware solution in the U.S. The solution was designed from scratch, with merchants and customers in mind, to transform the in-store shopping experience.

As you may know, it has become increasingly important for retailers to combine the online and offline shopping experience. The case is similar for entrepreneurs who want to extend their online success to offline sales. Shopify's new retail hardware solution is the perfect fit for that purpose as it connects seamlessly with the Shopify Point of Sale system. The solution, then, offers multi-channel inventory management, secure payments, and a consolidated backend that connects directly with a merchant's online store.

Shopify just hit record revenues of US\$1 billion in 2018. Assuming a 30% growth rate in revenue, which is a low-ball estimation compared to 2018's growth of 59%, it'll only take Shopify three years to double the revenue to US\$2 billion.



Canada Goose stock

In the last 12 months, Canada Goose stock had exceptional performance with a 56% gain compared to the market that *just* delivered returns of about 11%.

Canada Goose is a luxury brand whose products, including outerwear, knitwear, and accessories, are recognized for their good quality, craftsmanship, and the fact that they're largely made in Canada. An article dated September 2017 indicated an exception may be that some of its knitwear products are designed in Canada but made in Italy.

There are strong reasons to believe that Canada Goose is just getting started on its high-growth journey.

First, Canada Goose's three-year revenue-growth rate is 39%, but its revenue climbed 46% in 2018, which indicates the company had accelerated growth. Moreover, the company also saw operating margin expansion from 12.2% in 2015 to 22.5% in the trailing 12-month period.

Second, Canada Goose plans to open six new stores this year, two in Europe (Milan and Paris), one in the U.S. (Minneapolis), and three in Canada (Banff, Edmonton, and Toronto), which is a 50% increase from the existing 12 flagship stores.

Third, in the first nine months of this fiscal year, Canada Goose's EBITDA climbed 51% to \$200.3 million against the same period in the prior year, which is powerful cash flow growth.

Notably, Canada Goose maintains a solid balance sheet. In the last quarter, it had long-term debt of \$147.1 million and cash and cash equivalents of \$102.3 million.

Foolish takeaway

The growth stories of Shopify and Canada Goose are just getting started. They should be a core part of investors' high-growth portfolios. Both stocks are trading at much higher levels than a year ago. So, building a position in the stocks over time would be a more prudent strategy.

That said, from a valuation and technical perspective, Canada Goose is a better buy today. The growth stock looks fairly valued and has been in consolidation mode since June 2018.

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Date

2025/07/07

Date Created

2019/04/27

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