



Is a 1,000% Return in 10 Years Possible?

Description

Growth investors are on a perpetual hunt for the elusive “multibagger” — stocks that return multiple times their current value within a relatively short amount of time. We’ve all heard stories of investors who bought marijuana stocks or Bitcoin in 2016 and are now sitting on some unbelievably handsome gains.

Multiplying an investment five or 10 times over is an attractive proposition, regardless of the investment strategy. However, discovering these multibaggers is little more than a guessing game. The sectors where these growth stars are born are highly speculative and exceptionally risky.

But, for investors with an appetite for this risk, here’s a look back at some recent multibaggers and some potential future growth stars.

1,000% returns in fewer than 10 years

In a world where government bonds offer 1.5% and real estate rental yields hover around 5%, a 1,000% return in fewer than 10 years may seem too good to be true. That sort of return implies a compounding annual growth rate of over 25.8%. Meanwhile, the **S&P/TSX Composite Index** has returned 7.8% annually over the past decade.

It should come as no surprise that a double-digit return, let alone 25.8%, is exceedingly rare. But it isn’t impossible. In fact, some very well known stocks have beaten this target by a surprising margin in just the past few years.

The most obvious example is the current leader of the country’s thriving marijuana industry, **Canopy Growth**. Canopy stock skyrocketed in 2016, when it became apparent that recreational and medical marijuana would finally be legalized across the country. The stock multiplied 10 times between January 2016 and December 2017.

In fact, Canopy’s total return was 26 times by mid-2018 at the height of the marijuana frenzy.

However, investors can now argue that the industry is highly speculative and trading at impossible valuations. The technology industry may provide a more robust framework for growth.

Tech leaders **Shopify** and **Constellation Software** are both examples of multibaggers that are still trading at relatively justifiable valuations. Both stocks delivered a 10-fold return in fewer than 10 years — Shopify in four years (2016 to 2019) and Constellation in five years (2010 to 2015).

It seems clear that technology is a better hunting ground for future multibaggers. With that in mind, here is my pick for a tech stock that has immense potential for another 10-fold return and is still flying under the radar.

Drone Delivery Canada

Toronto-based startup **Drone Delivery Canada** ([TSXV:FLT](#)) is a potential multibagger for three simple reasons.

First, the company is a leader in the nascent autonomous drone delivery market. It's the only pure-play company in Canada solving the last-mile logistics bottleneck for deliveries across the country. Experts estimate that this market could potentially be worth [\\$100 billion globally by next year](#). Meanwhile, DDC's value is currently \$165 million.

However, the gap between its current value and potential market value isn't the only reason this growth stock is attractive. In recent years, DDC has cemented its lead by signing exclusive delivery deals with the Moose Cree First Nation and **Air Canada**. This provides the business a competitive advantage that adds to its value.

Finally, DDC could be a future multibagger because it has already delivered a stellar return for early investors. The stock jumped from \$0.20 in 2016 to just under \$2 by 2018 — a 10-fold return in two years.

Bottom line

A 1,000% return in 10 years is certainly possible, although highly elusive. My bet is on innovative startups in the tech sector like Drone Delivery Canada.

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