



## 3 Top Growth Stocks to Buy in October

### Description

It's easy to see the appeal of buying so-called growth stocks, whether they come in the form of disrupting existing markets, taking market share from competitors, or carving out an entirely new niche.

But [finding the market's best growth stocks](#) is easier said than done. So to help you get started, here are three top growth stocks I think investors should consider buying this month.

### Disrupting the real estate industry — again

**Zillow Group** ([NASDAQ: Z](#))([NASDAQ: ZG](#)) made its name by effectively disrupting the way consumers access valuable real estate data through its websites and apps. But shares of the online real estate platform are down a whopping 42% from their 52-week high as of this writing — a precipitous drop that mostly came on the heels of Zillow's [impressive second-quarter 2019 report](#) in August.

The culprit? Zillow handily beat consensus estimates for its top and bottom lines in Q2 — revenue grew 84% to just under \$600 million, or around \$15 million above expectations — but it also offered guidance that left the market hungry for more, driven partly by monetization changes meant to promote [more flexible payment models](#) for its core Premier Agents business.

Meanwhile, bearish investors are concerned about the high overhead required to fund the rapid ramp of Zillow's new Homes segment and its related Zillow Offers program. After expanding to seven new, large metropolitan markets in Q2, Zillow bought 1,535 homes in the second quarter. But it also technically lost a little more than \$2,900 on each of the 786 homes it sold during its most recent three-month period.

Nonetheless, Zillow is powering forward toward its longer-term target of buying 5,000 homes per month. Before the benefits of that scale become evident, I think investors should consider taking advantage of Zillow's recent pullback.

## This drop won't last forever

**Splunk** ([NASDAQ: SPLK](#)) stock has similarly fallen hard after each of its past two [quarterly reports](#) — but I think this is another case of the market getting it wrong. To be sure, Splunk handily beat its guidance on revenue in both quarters, most recently achieving a 33% increase in its top line to \$516.6 million.

However, Splunk also massively reduced its cash flow guidance, last time calling for *negative* operating cash flow of \$300 million for all of fiscal 2020, blaming a combination of a new pricing structure and the significantly faster-than-expected pace of its shift away from perpetual licenses and toward cloud-based, renewable subscriptions. For perspective, while Splunk previously anticipated renewable licenses would account for around 85% of its total by the end of the year, after last quarter it became apparent the figure would be closer to 99%.

Make no mistake, while that accelerated shift hurts Splunk's cash collections in the near term, over the longer term it will mean more [predictable revenue streams](#) as long as Splunk's loyal, growing customer base (it added more than 400 new enterprise customers last quarter alone, including **Chipotle Mexican Grill**, **Cerner**, and **Slack**) maintains its appetite for turning unstructured machine data into actionable intelligence.

## A tiny company with a proven business model

Finally, consider **Boston Omaha** (NASDAQ: BOMN), a tiny financial holding company that currently focuses on billboard advertising and surety insurance, though it also has smaller stakes in various businesses including a homebuilder, a regional bank, and a real estate services firm.

But perhaps most exciting for investors today is that Boston Omaha follows a similar method for building shareholder value to what Warren Buffett employed with **Berkshire Hathaway**. That connection is no coincidence. In late 2017, Boston Omaha shares rallied after *The Wall Street Journal* [highlighted](#) that one of its co-CEOs is Buffett's grandnephew Alex Buffett Rozek.

Of course, the same article was quick to point out the older Buffett does not own Boston Omaha shares and has nothing to do with its daily operations. But the Oracle of Omaha did say he "think[s] the world of Alex," adding that his younger kin has a "very good mind [and] good values."

Still, Boston Omaha remains in the earliest stages of its long-term story. [Revenue more than tripled](#) last quarter on a year-over-year basis, to just over \$10 million, mostly driven by [recent billboard acquisitions](#) and the expansion of its surety insurance operations.

With shares trading at a reasonable 1.36 times book value today, I think investors who buy Boston Omaha now could be in for staggering gains as it continues to grow in the coming years.

### CATEGORY

1. Investing
2. Tech Stocks

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1. Syndicated

## TICKERS GLOBAL

1. NASDAQ:SPLK (Splunk Inc.)
2. NASDAQ:Z (Zillow Group, Inc.)
3. NASDAQ:ZG (Zillow Group, Inc.)

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1. Syndicated

## Date

2025/06/28

## Date Created

2019/10/17

## Author

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