



Canada's 2 Likeliest 10-Bagger Stocks

Description

Here's a secret that most professional investors know: very few stocks outperform the average index. Most companies fail or go nowhere. The returns on more than half the stocks listed on the stock market will be worse than the broad TSX 60 index, which is tracked by cheap index funds and requires little to no research to invest in.

However, some [rare companies perform much better than the average stock](#). These multi-baggers create such exceptional returns that they can help an investor's portfolio outperform the market, even if they only constitute a small part of it.

Think of it this way: if you split a \$1,000 portfolio evenly between 10 stocks, of which five failed and four delivered no returns (stayed flat), but one of them delivered a 10-fold return, your overall return would be 40%. So, finding and adding these multibaggers is an essential part of an investor's journey.

It isn't an exact science, but here are two stocks I believe have the potential to deliver these multi-fold returns over the next decade.

E-commerce giant

Shopify ([TSX:SHOP](#))(NASDAQ:SHOP) is already one of the most successful technology companies in the country. Since it listed in 2015, the stock has already multiplied 14 times over, going from \$35 to \$490 today. Shopify is now the second-largest online retailer in the world and, by far, the largest in Canada.

While some investors seem convinced Shopify's best and fastest growth years are behind it, I'm not so sure. Global retail is worth \$24 trillion and online retail still accounts for less than one-fifth of it. There's tremendous potential for e-commerce growth in developing markets and new territories for the next few decades.

Shopify's asset-light and capital-efficient business model puts it in a good position to dominate a substantial chunk of this market. The platform already has a base of over a million vendors from across the world and the upcoming roll-out of fulfillment centres should give the company another edge over its smaller e-commerce rivals.

At its current pace of revenue growth, roughly 45%, the company could deliver a 10-fold return by 2026 or 2027.

Software as a service

Compared to online commerce, the market for international shipment software isn't that big. Global demand for supply chain management software could exceed \$8 billion by 2022, so it's a fraction of global retail. However, there are very few players in this industry, which gives incumbents like **Kinaxis** ([TSX:KXS](#)) plenty of room to grow.

With an established foothold in the market and relatively less competition, Kinaxis has already delivered stunning returns for shareholders. The stock has already delivered a 700% return since listing in 2014. That's an annual growth rate of 39.5% over six years.

Assuming future growth is slower, at just under 27% a year, the stock could deliver a 10-fold return by 2028 or 2029.

Can the company deliver this stunning performance? I believe it can, based on the proven track record of other software-as-a-service giants. Enterprise customers tend to have higher retention rates, and the software they purchase tends to have lucrative margins. Kinaxis reported gross margin at 73% in its latest quarter. Meanwhile, cash from operations expanded 81% quarter on quarter.

That gives the Kinaxis team plenty of room to reinvest in the business, create new features for the platform, acquire smaller innovative startups, and ultimately reward shareholders with attractive returns.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:KXS (Kinaxis Inc.)
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