



The Year's Best-Performing Stocks

Description

We are exiting the decade on a strong note, and with the longest bull streak in history intact. It has been quite an impressive run for the markets. As of writing, the S&P/TSX Composite Index is up 18.1% year to date and is on pace for its best year since the financial crisis.

As is customary at this time of the year, we look back at the year that was. What better way than to look at the best-performing stocks of 2019? Of note, the selections below were limited to those with a market cap of \$100 million or greater. Will these stars outperform again in 2020? Let's take a look.

The best-performing small cap

Real Matters ([TSX:REAL](#)) has crushed the competition in 2019. With returns of 291%, it is not only the best-performing small cap, it is also the best-performing stock on the TSX. The company's market cap has almost tripled from approximately \$350 million to \$1.098 billion today. Talk about an impressive run.

Is Real set up for a repeat performance next year? It is improbable, as the company isn't exactly cheap. It is trading at 33 times forward earnings and at seven times book value. Likewise, it is trading at a significant premium (21.2%) to analysts' one-year estimate of \$10.66 per share. That isn't to say the company isn't done growing, it is just doubtful it will triple again next year. Analysts expect 56% average annual earnings growth over the next five years, which is still among the best growth rates on the TSX Index.

The best-performing large cap

Not surprisingly, the best-performing large cap is also a tech company — **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). No stranger to the top performer list, Shopify has been an unstoppable behemoth. Since it went public, Shopify's market cap has grown by 2,263% and it is currently worth \$56.7 billion. This ranks it among the 10 biggest companies on the TSX Index, surpassing such notable names such as **BCE** and **Canadian Imperial Bank of Commerce**.

In 2019, Shopify posted yet another double, as its share price is up 160% as it closes out the year. Is another double on tap next year? Although I am a big fan (and shareholder) of the company, the odds of a double are unlikely. It is trading [near record highs](#) in relation to its forward P/E, P/B, and P/S ratios, yet the growth rates are expected to remain stable.

Make no mistake; Shopify is still a company poised to deliver hefty returns, as it is expected to grow earnings by an average of 62.50% over the next five years. Good luck trying to find a large cap with those kind of growth rates. Instead of a double, a more reasonable expectation is for the company to grow in line with earnings.

The best-performing Dividend Aristocrat

As a dividend-growth investor, I like to pay particular attention to the list of Dividend Aristocrats. Which has been the best-performing dividend-growth company? That distinction belongs to **Equitable Group** ([TSX:EQB](#)). This alternative lender is up 87.67% in 2019, rewarding investors with both capital appreciation and dividend growth.

The company has raised dividends in every quarter this year. No other Aristocrat can lay claim to this type of dividend growth. In total, it raised the quarterly dividends by 25%, well above the average dividend-growth rate.

The best part? It is well positioned to continue its run of outperformance. At a forward P/E of only 8.28 and a P/E-to-growth ratio of 0.38, [it remains cheap](#). It also puts into perspective just how undervalued the company was to start the year. Equitable Bank has plenty of runway to grow, as analysts expect the company to grow earnings by an average of 25% annually over the next five years.

CATEGORY

1. Bank Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:EQB (EQB)
3. TSX:REAL (Real Matters Inc.)
4. TSX:SHOP (Shopify Inc.)

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