



## Growth Investors: 1 of 2019's Best Stocks Is Set for an Even Stronger 2020

### Description

When picking stocks, the goal of every investor should be to find companies that are growing faster than the market. After all, if you are seeking lower risk and are content with the returns the broader market will provide, then choosing index ETFs is the investing strategy for you.

For those investors who want to [beat the market](#) though, you need to find great companies that have the ability to grow faster than the market and the economy, and consequently reward shareholders for the increased risk they are taking on.

### Growth in services

Some of the top growth industries the last few years, especially in Canada, have been companies in the services industry.

More often than not these days consumers and business are spending more money on services, and the market for all different types of services has exploded.

Especially for companies who can now outsource complicated matters of their business to companies that will provide the service for them at a cost that is cheaper than they could do it themselves, it makes the decision to buy the services an easy one as it's backed by economics.

One of the top companies that has been taking advantage of this rapidly growing trend is **Morneau Shepell Inc** (TSX:MSI).

Morneau Shepell has been one of the best stocks the last five years as its business has been growing rapidly. In the last five years, the S&P/TSX Composite Index is up just 17% versus Morneau Shepell which has grown by roughly 100%.

It has been growing for two reasons, the first reason is due to the organic growth it's been seeing as it improves its services and offers its customers better value and an integrated service.

The second reason is due to the strong acquisitions it has made, which have also had an effect on its organic growth and helped the company to continue to drive new sales each year.

The growth the company has been experiencing is just the beginning though, as roughly 70% of its business is still done in Canada. This gives it a huge runway for growth both in the U.S. and especially internationally, where it currently does only 5% of its sales.

At the moment, the main services that it offers are pension and benefit outsourcing as well as well-being, which together make up about three quarters of the company's total revenue.

It also offers retirement services as well as health and productivity solutions, which it integrates with its more popular offerings to help drive sales and scale the business.

## **Stable cash flow**

What's really attractive is the amount of recurring revenue it has each year, giving it highly stable cash flow, which severely reduces the risk. It also gives management the confidence in its core operations and allows it to focus on finding new ways to grow the business and continue its incredible success.

One of the main reasons for Morneau Shepell's success has been its strong technology associated with its services. Technology is a major factor because of the capabilities it brings, improving the customer experience at the same time that it's helping Morneau Shepell to scale costs.

Morneau is one of the main leaders in its industry and is one of the most well-run and best-integrated companies in a field that will continue to see growing demand.

The stock was up roughly 40% in 2019 and there are no signs of it slowing down anytime soon.

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