



2 Top Canadian Growth Stocks to Buy for 2020

Description

The markets are at an all-time high following a banner year. Concerns over a possible 2020 recession continue to increase, but economic indicators are still pointing to a moderate year of growth. Buying stocks with strong fundamentals will supercharge your returns in 2020.

My two growth stock recommendations are **Spin Master** ([TSX:TOY](#)) and **Lightspeed POS** ([TSX:LSPD](#)).

An entertainment growth stock

Spin Master is a children's entertainment company with a \$4 billion market capitalization. Its portfolio includes brands such as PAW Patrol, Bakugan, Etch A Sketch, Air Hogs, and Meccano.

Spin Master designs, manufactures, licenses, and markets different lines of entertainment properties, games, puzzles, and toys.

Last year, Spin Master had a setback with the bankruptcy of Toys "R" Us, as it was the main distribution channel for many of its products. However, there are a few reasons why I think TOY is going to have a phenomenal 2020 and beyond.

Spin Master has been spending resources to improve its ability to compete for larger third-party licences. Its partnership with DC comics will start adding to the bottom line in 2020. The revenue contribution from licensing agreements will only grow over the next few years with Spin Master's renewed focus on working with larger third-party entertainment companies.

It has started investing in direct to consumer distribution channels to get its toys to the market without an intermediary like Toys "R" Us. There is so much potential with this move, as most toy sales are happening online now.

It currently has five shows in development, which are to be released by 2021. It plans to distribute the shows in several formats such as TV, streaming platforms, and YouTube to maximize exposure.

Having another large hit show will add to the company's portfolio of entertainment brands. A hit show will also contribute significant growth to its toys and entertainment product business that is associated with that brand.

Its projected profits are to grow by 92% over the next year. I predict its profit will be even higher, as the markets are underestimating how much growth the new shows, the third-party distribution and direct to consumer distribution is going to add.

A tech growth stock

Lightspeed is an early-stage, cloud-based, point-of-sale (POS), e-commerce software provider with a market capitalization of \$3.1 billion. It had a great performance over the last year with a rate of return of about 111%, but I predict it still has much more upside.

The digital transaction industry has seen exponential growth with the transition to a cashless society. The importance of e-commerce, the development of technology, and the growing popularity of alternative payment solutions will only grow the POS industry exponentially.

POS systems are a necessity for any business to succeed nowadays, and the demand is worldwide. Lightspeed is one of the top-ranked POS systems on the globe, and this will allow the company to capture a larger global market share over the next few years.

Lightspeed's revenues have been growing at a rate of 36% year over year, with projected revenues of \$110 million in 2020. It has no debt, and 90% of that revenue is recurring, giving LSPD a lot of cash to expand its business.

Lightspeed has accelerated its growth momentum and made itself a major global player over the last year through acquisitions. In 2019, it made purchases such as Chronogolf, a golf course POS provider, iKentoo, a POS solutions provider in Switzerland, and Kounta, an Australian based hospitality POS provider.

It has just announced that it will spend US\$100 million to acquire competitor Gastrofix and expand into the European market. Gastrofix has 8,000 client locations letting Lightspeed hit the ground running in Austria, Germany, Norway, and the rest of Europe.

Foolish takeaway

When picking growth companies to invest in, you must look past the numbers. The qualitative factors are often just as important. I think the market is undervaluing how much growth these qualitative factors add, and that is why both these stocks are my top picks.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)
2. TSX:TOY (Spin Master)

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Author

simonwong

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