



Have \$5K? This Is Where I'd Invest

Description

Did you know that \$5,000 is plenty of money to make a killing in the stock market? Just take a look at iconic Canadian stocks like **Constellation Software**. If you had invested \$5,000 in this stock back in 2006, you'd have more than \$300,000 today.

Cashing out big requires extra risk, but the payoff can be worth it. If you have an extra \$5,000 you're willing to invest, why not choose companies that can compound your dollars at market-beating rates?

Here are the two companies I'd invest in if I was looking for [major growth](#) over the next few years.

Platforms are lucrative

Hexo ([TSX:HEXO](#))(NYSE:HEXO) is building the first-ever cannabis platform. This is exactly the type of stock that could turn a small nest egg into a sizable fortune.

The first opportunity, of course, is cannabis. Over the past 24 months, several cannabis analysts have been forced to up their demand forecasts *several* times. In both Canada and the U.S., sales figures continue to outpace expectations.

Yet there's a dark side to this equation: pricing. Operating in the cannabis industry is a sure way to experience a rapid rise in sales, but that doesn't guarantee profitability. With more than a dozen companies rushing to bring supply online, pricing continues to slip.

This is where Hexo's platform approach comes in handy.

When it comes to the onslaught of commoditization, companies that can differentiate their cannabis will retain the most pricing power. Differentiation will likely result from brand loyalty, which is why nearly every pot stock is rushing to create their own premium brands.

Yet new brands by definition don't start with intense loyalty. For that, you need to hijack the reputation of existing brand. That's exactly what Hexo's platform approach allows.

Instead of building its own brand portfolio from scratch, Hexo is allowing outside companies to tap into its pot infrastructure to co-create products. For example, its pot-based drinks that it developed with **Molson Coors Canada** will hit the shelves this month. The company hopes to add additional partners in other categories as the year progresses.

With instant brand recognition, Hexo has an opportunity to approach the size of its larger competitors this year, some of which are *five times* the size.

Go bargain shopping

Canada Goose Holdings ([TSX:GOOS](#))([NYSE:GOOS](#)) is another company with high growth potential but a bargain valuation. Actually, for years, this was a high-growth company with an *expensive* valuation. In 2018, for example earnings growth was above 50%, pushing the valuation above 100 times earnings.

That all changed in 2019 when management reset their long-term growth forecast. The company now expects multi-year sales growth to average at least 20%, with earnings growth averaging at least 25%. Those are still impressive figures for a retail company, but the baked-in assumptions were simply too high, forcing the stock lower.

Today, Canada Goose shares are valued at just *half* their 2018 highs. Rosy expectations caused the stock to become overpriced, but now, sentiment has swung too hard the other way.

This quarter, the company is expected to post trailing 12-month EPS of \$1.66, valuing the stock at just 28.5 times earnings. With 25% EPS growth expected for the year ahead, shares trade at just 22.6 times forward earnings. That's simply a crazy valuation for a company growing this quickly.

Even if the current valuation multiples persist, the company's continued growth would mean shareholders would double their money in fewer than five years. If the multiples revert higher, a double could be realized even faster.

Canada Goose remains one of Canada's most respected brands, and with international sales growth remaining above 50% per year, this stock still has plenty of room left to run.

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2. NYSE:GOOS (Canada Goose)
3. TSX:GOOS (Canada Goose)
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