



3 TSX Stocks That Could Triple in 3-5 Years

Description

How to identify quality stocks

There are various types of stocks trading on the Toronto Stock Exchange: growth stocks, dividend stocks, and defensive stocks. You can choose the stocks depending on your investment objective. If your objective is to multiply your money in the mid-term, you should invest in [growth stocks](#).

Growth stocks are new companies in their early growth stages. They have limited market share and operate in nascent or fast-growing markets, like e-commerce or cloud services. Software companies are a good example of growth stocks.

They have low capital requirements and grow in three stages: the seed stage, the hyper-growth stage, and the mature stage. While a hyper-growth-stage company can grow multiple folds in a year, there is a risk of failing. On the contrary, a mature-stage company has low risk and doubles your money in seven to 10 years.

You can have a mix of both stocks in your Tax-Free Savings Account (TFSA) portfolio.

Lightspeed POS stock

Lightspeed POS ([TSX:LSPD](#)) provides cloud-based point-of-sale (POS) solutions to retailers and restaurants. The company is gradually broadening its customer base to include golf clubs and other companies. It

As the company is in the early growth stage, the right way to value it is through its price-to-sales ratio, which is 19.6 times. This valuation is low for a stock whose revenue is growing more than 50%.

This year, Lightspeed was severely hit by the pandemic, as restaurants and retailers closed their physical stores and canceled their subscriptions. Its stock fell by 67% in March. Adjusting to the changing business environment, the company introduced features that support social distancing at

physical stores and enhanced its e-commerce solutions. It saw an uptick in subscriptions, driving its revenue up 51% YoY in the [second quarter](#).

The stock has surged 220% from its March low to the pre-pandemic level and is set to grow threefold in the next three to five years.

Constellation Software stock

Founded in 1995, **Constellation Software** ([TSX:CSU](#)) is in the mature stage. Over the years, it has grown by acquiring over 260 companies that provide mission-critical software to niche markets. Today, it has a customer base of over 125,000 spread across +100 different geographies and +120 niche end markets. Its diversified portfolio has made it resilient to an economic downturn.

Even at a mature stage, Constellation's revenue increased at an average annual rate of 14% between 2015 and 2019. The company operates at an adjusted EBITDA margin of 24-25%. Its shares have grown 3,900% since January 2010 and is still growing in the range of 15-50% every year. At this rate, it can triple your money in five years.

Kinaxis stock

Founded in 1984, **Kinaxis** ([TSX:KXS](#)) is a mature stock, growing at an average annual rate of over 40%. The company offers supply chain planning solutions to large enterprises and enjoys stable cash flows because of long-term subscriptions. It operates in a defensive segment that is resilient to an economic downturn. The stock fell 20% in the March sell-off, but it quickly recovered in 15 days and rose 90% year to date.

Kinaxis's revenue and adjusted EBITDA grew at a CAGR of 16% and 14%, respectively, in the last five years. The company expects some delays in new subscriptions and renewal of the old ones because of the pandemic. However, it expects 2020 revenue to grow by 14%. The shares have the potential to triple your money in four to five years.

Investor corner

The above three stocks can triple your \$6,000 TFSA contribution to over \$18,000 by 2025.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:LSPD (Lightspeed Commerce)

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