2 Top Growth Stocks to Watch in October

Description

October is proving to be a very pivotal month. One the one hand, the American federal elections are just around the corner. On the other hand, the COVID-19 pandemic has shown no signs of slowing down any time soon. With these things in mind, which two companies should Canadian investors have at the top of their watch list?

Invest in healthcare during a pandemic

One of the main reasons companies go public is to gain access to capital in hopes of expanding. Considering that fact, it would only make sense to invest in healthcare companies during a pandemic. Doing so would allow those companies to thrive and further push business during tough times. Currently, the top Canadian healthcare company in my mind is **WELL Health Technologies** (TSX:WELL).

WELL Health is a company that I have featured numerous times before. With the COVID-19 pandemic seemingly becoming worse over the past month or so, people may start turning towards telehealth services once again. At the outset of the pandemic, investors saw major gains in telehealth stocks. Companies like WELL Health, **Livongo**, and **Teladoc** all skyrocketed as the industry came into the spotlight.

The company has began its expansion into the United States, which bodes well for investors. WELL Health managed to enter the quick-growing American market through its acquisition of Circle Medical. The move was heavily supported by Hong Kong magnate Mr. Li Ka-shing. In late September, WELL Health also launched its digital health app marketplace, “apps.health.” This marketplace strives to become the premier service for EMR users.

With the current state of global health in mind, combined with WELL Health’s continued expansion efforts, I believe this company still has a very long growth runway ahead.

I have not entered a grocery store since the pandemic

It’s funny, because when the pandemic first hit, I was very quick to brush **Goodfood Market** (TSX:FOOD) aside. It is not the first company to offer online grocery and meal services. However, once I started using this type of service, its convenience seems like a no-brainer.

Goodfood is the leading online grocery and meal service provider in Canada. Since February 2018, the company has seen an incredible growth in its market-leading position. As of its latest earnings report, Goodfood Market held a 40% market share over its competitors.

One aspect of the company that should not go unnoticed is the large ownership stake held by its leadership team. Co-founders Jonathan Ferrari and Neil Cuggy currently hold chief executive officer and president and chief operating officer positions in the company, respectively. All told, Goodfood Market’s leadership team holds a 40% stake in the company. That is much larger than the 5% ownership position that I set as a requirement in companies that I invest in.

The company plans to achieve its growth objectives by increasing automation within its production process from 50% to 75%. Once the company is fully scaled, it believes that Goodfood’s gross margins can reach 45%. This is a 4% increase from its current margins.

Goodfood also notes that the third quarter usually offers a very strong performance from the company. During this time, order rates, new subscriptions, and margins tend to be higher. With this seasonal boost working in its favour, and an increase in traffic due to an upswing in the pandemic, Goodfood may be in a position to surprise during earnings.

Foolish takeaway

During the month of October, I believe investors should focus on the healthcare and online retail industries. WELL Health Technologies and Goodfood Market are leaders in their respective industries in Canada. These two companies are at the top of my watch list this month. Investors would be wise to do the same.

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TICKERS GLOBAL

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2. TSX:WELL (WELL Health Technologies Corp.)

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