



How to Find Top Growth Stocks

Description

As retail investors, finding one or two stocks that end up giving us monster returns can be life changing. However, it can be difficult to find those companies. Often, we hear of companies that go on unbelievable runs, only for them to later turn out to be unsustainable. This often results in the stock crashing, losing all previous gains. Fortunately, we can apply a simple formula to help us find top growth stocks.

Leading an emerging industry

First, investors should be looking for a company that leads an up-and-coming industry. This is intentionally vague, as it allows excellent companies to arise from any sector. For instance, although **Brookfield Renewable Partners** is already a large-cap company, it is a leader within the renewable utility sector. The world has already been shifting towards a more environmentally aware mindset, but with the recent Biden victory, renewables may see [even more growth](#).

Another example would be within the e-commerce industry. **Shopify** is the global leader among online store builder companies. Currently, more than a million merchants use Shopify's platform to power their businesses. Consumer adoption of e-commerce has been greatly accelerated as a result of the COVID-19 pandemic.

Research suggest that we are still very much at the start of the growth of e-commerce. In Canada, online sales made up 11% of all retail sales in Q2 2020, compared to more than 30% in the United Kingdom. Surveys reported by **Goodfood Market** have also shown that, for the first time, more consumers have purchased groceries online than those who have not. Surveyed consumers also indicated that the pandemic has significantly influenced them into being more willing to permanently switch to online grocery services.

The company has an excellent management team

The earlier a company is in its growth stage, the more important a competent management team is.

Although judging an executive team may be a bit subjective, there are some aspects that can be considered.

First, is the company founder-led? This is not to say that companies that are not led by founders will fail, but studies have found that founder-led companies tend to outperform their peers. A study published on October 19 found that the top 400 founder-led companies gained an average year-to-date return of 58.4%. This compares to a 10% gain from the top 400 companies that were led by non-founders.

Second, does the company's management have a lot of national recognition? There is a plethora of industry awards held at the regional, national, and international level which recognizes the work of executives every year.

[An excellent example](#) would be **Nuvei** founder-CEO, Philip Fayer. In 2009, he was named as one of Canada's Top 40 Under 40. Then in 2019, Fayer was awarded the Ernst and Young Entrepreneur of the Year Award in the Fintech (Quebec) category.

Foolish takeaway

Retail investors are often looking for that one stock that will give them life-changing returns. It may not be as difficult as people believe it to be. Although a lot of luck is required, looking for the right things will certainly go a long way.

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Author

jedlloren

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