This Canadian Stock Has an Annual Growth Rate of 39% Over 10 Years, and it's Not Shopify!

Description

Growth investors have been handsomely rewarded by owning shares of one of the greatest growth investments on the TSX over this past 10 years.

Boyd Group (TSX:BYD) has provided long-term investors with a 39% compound annual growth rate (CAGR) over the past 10 years. Now, this return isn't as impressive as **Shopify's** (TSX:SHOP)(NYSE:SHOP) 110% return over the past five years. That said, it's pretty darn impressive when one considers the roughly 3% CAGR of the TSX over this time frame.

Here's why I think this growth rate could continue for some time, and why growth investors ought to hold onto this position long term.

Acquisitions could actually pick up

Boyd has grown so quickly over this time frame due primarily to an acquisition-based growth strategy. The company has essentially consolidated a very fragmented auto parts industry over the past 10 years. This consolidation has been very positive for Boyd, with the company proving itself as one of the best acquirers in this space.

Boyd has the financial capacity to continue to acquire companies and may do so at a faster pace in 2021. Acquisition financing is now at the cheapest level in a long time. Indeed, this is a big boost to companies like Boyd right now. The opportunity to refinance some of the company's debt and continue picking up companies on the cheap is attractive from a growth investor perspective.

Additionally, Boyd's management team has proven to be effective capital allocators over the long term.

Risks do exist with growth stocks, so trade carefully

All this being said, growth stocks do tend to trade in a more volatile way than more defensive value names. This means investors considering adding exposure to stocks like Boyd need to be prepared to wait out some periods of volatility. That said, for those with the stomach for such stocks, Boyd is among the best growth stocks to consider right now.

This is one of those high-flying stocks with a valuation that prices in a lot of future growth. Boyd will need to continue to acquire great companies at good prices. Investing in companies like Boyd does require some foresight and the ability to look past near-term economic weakness. Should the economy falter or economic risks rise again, there could be downside on the horizon. Therefore, this is a stock to hold for the long term or simply avoid at these levels.

Bottom line

Boyd is actually still trading below its pre-pandemic highs, so this stock does have significant room to run. That said, at a valuation of approximately 94 times earnings, this stock isn't cheap. The growth story underpinning this stock remains vibrant, and there are tailwinds behind Boyd right now. This is a stock for bullish growth investors only — I myself am on the sidelines with respect to this stock. Therefore, I would encourage all Foolish investors to do their homework with companies like this, and only invest if this stock meets one's risk-tolerance threshold.

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1. NYSE:SHOP (Shopify Inc.)
2. TSX:BYD (Boyd Group Income Fund)
3. TSX:SHOP (Shopify Inc.)

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