



## 2 Top Growth Stocks That Are Part of Cathie Wood's Portfolio

### Description

Ark Invest CEO Cathie Wood has grown in popularity over the last year, and for good reason. Wall Street investors have seen [Ark Invest ETFs](#) gain significant momentum since the pandemic-induced sell-off decimated equity markets in early 2020.

For example, **Ark Innovation ETF** is up 134% in the last 12 months and is up a stellar 581% since May 2016. Given these market-thumping returns, investors are closely following what Ark Invest is buying.

We look at two such stocks Cathie Wood is bullish on right now.

### Shopify

Canada's largest company in terms of market cap, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is part of the Ark Invest portfolio. Shopify recently reported [its first-quarter 2021](#) results and crushed Wall Street estimates.

The company ended Q1 with 1.7 million merchants on its platform, allowing Shopify to grow sales by 110% year over year to US\$988.6 million. Comparatively, its net income surged 11 times to US\$254 million, indicating a net margin of a healthy of over 25%. Its gross merchandise volume or GMV, which is the total amount spent on the Shopify platform rose 114% to US\$37.3 billion.

Shopify operates via an asset-light model, which has increased its profit margins at a higher rate compared to top-line growth. This meant Shopify's debt stands at just US\$909 million, while its cash balance is close to US\$8 billion.

One of the major reasons for the increase in Shopify's merchant base is its ability to integrate third-party applications on its platform. These applications include order fulfillment as well as multiple upsell features that it sells via subscription solutions. Shopify also facilitated around US\$308 million in loans to merchants which were up over 100% year over year.

The COVID-19 pandemic accelerated the trend towards online shopping, which will benefit Shopify in 2021 and beyond. Shopify stock has returned 93% in the last year and a staggering 4,500% since its IPO back in May 2015. Despite its sky-high valuation, Shopify stock is a top bet for your growth portfolio.

## Roku

Streaming company **Roku** ([NASDAQ:ROKU](#)) is another stock part of the Ark Invest portfolio. The company has grown its sales from US\$512.8 million in 2017 to US\$1.8 billion in 2020, indicating a compound annual growth rate of 51%. Comparatively, its free cash flow has risen from US\$28.1 million to US\$65.8 million in this period.

Similar to Shopify, the pandemic acted as a tailwind for streaming companies such as Roku as well. In the U.S., the number of streaming hours on Roku devices was up 55% year over year in Q4. Further, around 43% of broadband households in the U.S. that pay for cable TV may cut the cord and switch to streaming services over the next year, according to a report from Park Associates.

Roku is now expanding into international markets including Canada, Brazil, Mexico, and the U.K., which will drive top-line growth in the upcoming decade. It's already the leading smart TV operating system in Canada and the U.S.

Analysts tracking Roku stock expects its sales to rise by 44.2% to \$2.57 billion in 2021 and by 38% to \$3.54 billion in 2022. While still unprofitable, Wall Street expects Roku to post earnings per share of \$0.54 in 2022.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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