Millennials: 2 Canadian Growth Stocks to Buy and Hold to Retire Early

Description

Millennials have years until retirement. Thus, it makes good sense for these young investors to put a good portion of their investments in growth stocks. Buying and holding a basket of growth stocks can allow you to retire much earlier than you think possible!

Here are a couple of Canadian growth stocks that you should research further right away.

This Canadian growth stock also provides dividend growth

A $10,000 initial investment in **goeasy** (TSX:GSY) in 2010 would be worth more than $175,500 today due to price appreciation. In the period, it also produced dividend income that almost paid back the initial investment! Altogether, the growth stock generated annualized returns of about 29% since 2010. That's nothing short of amazing!

During the pandemic, the growth stock sold off big time — losing more than two-thirds of its market value. The dramatic drop was due to the market worrying about a decline in demand in its non-prime financing services business in a highly uncertain economic environment.

The company's 2020 results turned out to be remarkable. Revenue rose 7% to $653 million, EBITDA jumped 36% to $267 million with the EBITDA margin expanding 27% to 40.9%, and adjusted earnings per share (EPS) climbing 46% to $7.57. The growth stock matched its earnings growth with dividend growth of 45% in 2020. Its five-year dividend growth rate is incredible at about 35%.

Even if you just bought GSY stock at about $40 per share after it showed signs of consolidation after the 2020 market crash, you would still be sitting on roughly a 4-bagger today!

The largest company of non-prime lending and leasing services in Canada is still growing at a high rate. In the first quarter, it reported revenue growth of 2% and adjusted EPS growth of 66% year over year.

GSY stock is still reasonably valued today for its estimated double-digit growth rate. So, millennials should consider at least starting a position in the growth stock for long-term holding. Then, look to back up the truck on meaningful corrections.

A Canadian tech stock you want on your radar

Converge Technology Solutions (TSX:CTS) stock has been a seven-bagger since 2020. A $10,000 initial investment in the tech stock at the start of 2020 would be worth roughly $74,214 today — all from price appreciation.

During the pandemic market crash, the tech stock dropped to below $1 per share but quickly rebounded to its pre-pandemic peak within a couple of months. After breaking the resistance of $1.50 per share, it hardly ever sold off.

The tech company has set out to modernize IT in the mid-market space, which lags behind large companies in cloud adoption for example. Since IT solutions are interconnected, in many cases, a company cannot change the software without investing in the hardware as well.

Last year, when many businesses were struggling to stay afloat during the pandemic, it had the financial health to continue its M&A growth strategy by completing five acquisitions. It ended the year 2020 with year-over-year revenue growth of 38% and adjusted EBITDA growth of 91%. The tech company carried on growing in Q1 — boosting revenue by 28% and adjusted EBITDA by 70%.

Converge is still in an early growth stage. First, it plans to make three to five acquisitions per year in North America and Europe, respectively. Second, it will be shifting its business mix to increase the contribution from software and services to improve the quality of its revenue. Third, it sees the opportunity to expand its EBITDA margin to 10% by the end of 2025 (versus 6.4% in 2020).

If management executes its growth strategy well as it has done thus far, an investment in the growth stock today would still be a multi-bagger for long-term millennial investors!

The Foolish investor takeaway

Converge and goeasy are great growth stock candidates for millennial investors' retirement portfolios. However, don't bet your money on just two stocks. That wouldn't be sufficiently diversified. For a growth stock portfolio, consider holding at least 20 stocks across different sectors and industries.

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