Capital Gains Investing in Growth Stocks: Where to Invest?

Description

Capital gains investing entails investing for growth and aiming for price appreciation in the assets you buy. When it comes to stock investing, you can aim to buy stocks with above-average growth potential. You can hold the stocks in your Tax-Free Savings Account (TFSA) for tax-free growth or the RRSP for tax-deferred growth. If you're holding the stocks for a long time, the capital gains will be tax-deferred in your taxable account until you sell the shares for profit.

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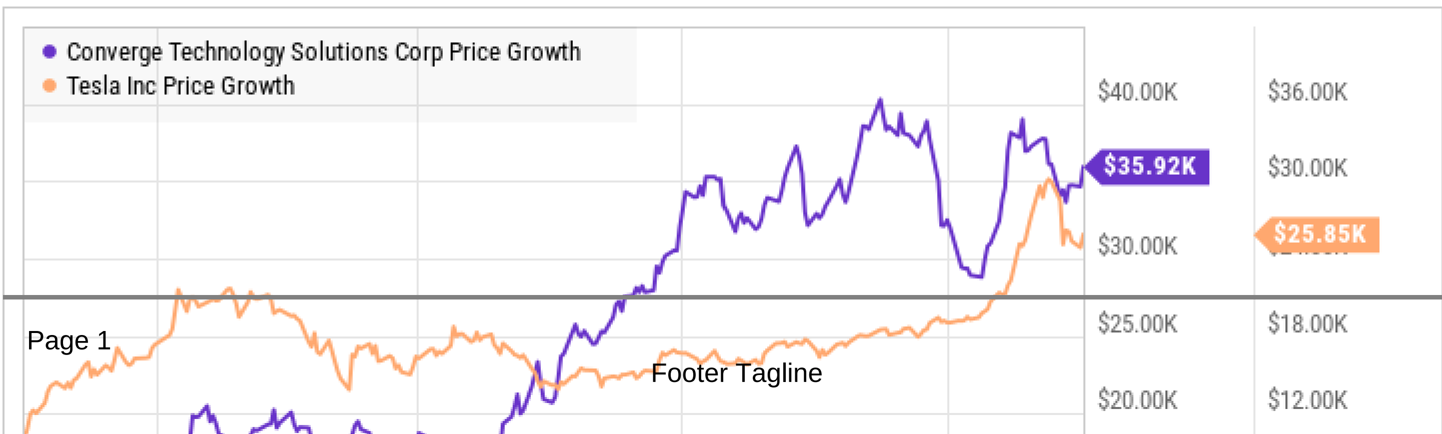
Here are a couple of growth stocks that could deliver outstanding capital gains over the next three to five years.

Converge Technology Solutions

Converge Technology Solutions (TSX:CTS) has been growing with an M&A strategy while cross-selling its diversified range of technology solutions, which results in high revenue growth. It offers solutions in digital infrastructure, cloud, cybersecurity, advanced analytics, managed services, and IT talent acquisition.

Last quarter, the tech stock reported revenue growth of 93% to $367.3 million versus a year ago. Gross profit jumped 60% to $83.8 million, leading to a gross profit margin of 22.8%. The adjusted EBITDA, a cash flow proxy, climbed 29% to $18.9 million.

An analyst said that Converge has low margins versus many other tech stocks. So, he's not investing in Converge. However, the growth stock has outperformed **Tesla** by 100% in the last 12 months! Therefore, the tech stock is worth a closer look. The chart below shows the growth of a $10,000 stock investment in Converge and Tesla over the last 12 months.



Data by YCharts

One analyst may be biased about the stock, but a group of analysts isn't. Over the last year, Converge has gained the attention of 10 analysts who have a mean 12-month price target of $13.88 per share on the growth stock right now. That target represents 21% near-term upside potential. That said, if Converge continues to execute well on its North American and European expansion, you can bet the price target will move up.

Equinox Gold

Equinox Gold (TSX:EQX)(NYSEMKT:EQX) has been a poor invest over the last 12 months, falling 24%. However, it is one of the best gold stock investments you can make today. The gold stock can grow even if gold prices decline, because it has the *best* growth profile among its peers!

This year, the gold producer targets gold production of roughly 600,000 ounces. It has seven producing mines, and it has five growth projects to boost its production. Management projects its 2024 gold production to reach about 1.1 million ounces per year, which would equate to an annualized growth rate of about 22%. The company's balance sheet is also solid with $500 million of available liquidity.

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Year to date, Equinox Gold generated revenues of US$701 million (up 19% year over year) and adjusted EBITDA of US$175 million (down 10%). Although it realized an average gold price of US$1,790 per ounce that was 2% higher year over year, its all-in sustaining costs jumped 39% to US$1,396 per ounce.

Although 12 analysts have an average 12-month price target that suggests near-term upside potential of about 43%, it could be a better idea to hold on to the stock for greater price appreciation potential as its growth projects go online.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSEMKT:EQX (Equinox Gold Corp.)
2. TSX:EQX (Equinox Gold Corp.)

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