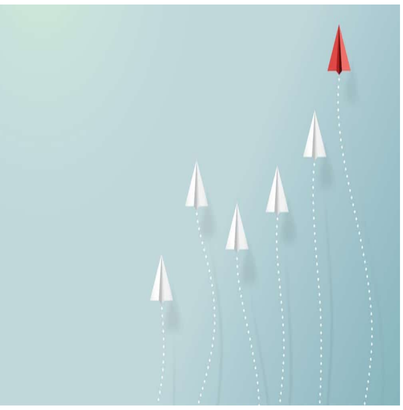

Want to Beat the TSX? 4 Top Stocks to Outgrow Broader Markets

Description

Macro headwinds and fear of a recession turned Canadian investors risk averse. This led to a massive decline in growth stocks, especially of those companies that lack profits. Though the economic environment remains challenging, investors can start accumulating top stocks at lower prices to benefit from the recovery in their prices as the macro headwinds ease.

So, if you can spare some cash, here are the four top growth stocks that are trading cheap and have the potential to beat the TSX.

Aritzia

Despite the recent correction, **Aritzia** (TSX:ATZ) stock has returned over 150% in three years, reflecting a CAGR, or compound annual growth rate, of over 36%. The strong demand for its offerings continues to drive its strong organic sales and supports its profitability.

While its domestic business remains strong, it continues to expand its base in the U.S., which will accelerate its future growth. Moreover, its expansion into new segments and opening of new boutiques augurs well for growth. Leverage from higher sales and solid expense management will cushion its bottom line. Meanwhile, its focus on reducing debt and strong cash flows will fund its growth initiatives.

Shopify

With tech stocks losing most of their value this year, it's prudent to pick a few high-quality names from this sector. I am bullish about **Shopify's** (TSX:SHOP)(NYSE:SHOP) prospects. Though Shopify stock has erased most of its gains, it has the potential to compound investors' wealth in the coming years.

Its strong competitive positioning, investments in e-commerce infrastructure, strengthening of fulfillment, and increased adoption of payments and capital offerings provide a solid platform for growth. Meanwhile, international expansion, the addition of new features to its merchant solutions, and an increase in sales and marketing channels through partnerships with social media companies will drive its merchant base and support its growth.

Docebo

Docebo (TSX:DCBO)(NASDAQ:DCBO) is my next stock pick from the tech sector. It has lost 53% of its value so far this year. Despite the correction, Docebo stock is still up about 148% in three years, representing a CAGR of over 35%. I see this pullback in Docebo as an opportunity to buy the shares of this high-growth company at a lower price.

The momentum in Docebo's business has sustained, reflected through its solid annual recurring revenues. Docebo's annual recurring revenues have grown at a CAGR of 66% since 2016. Moreover, its average contract value has grown rapidly. Also, its ability to acquire new customers, high retention rate, increased revenue from existing customers, and the opportunistic acquisition will likely drive its financials and stock price.

goeasy

goeasy (TSX:GSY) is the final stock on this list. It has outperformed the TSX by a significant margin and offers a solid dividend. For instance, goeasy stock has gained about 160% in three years. This growth comes despite the recent pullback in its stock price. Further, goeasy has grown its dividend at a CAGR of over 34% in the last eight years.

With its strong sales and earnings growth and solid dividend payment history, goeasy is a perfect stock for investors looking for high-growth and consistent income. Its wide range of lending products, strong loan originations, and channel expansion will likely lead to double-digit growth in its top line. Solid sales, strong credit performance, and efficiency savings will cushion its margins and bottom line.

CATEGORY

1. Investing

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1. NASDAQ:DCBO (Docebo Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:ATZ (Aritzia Inc.)
4. TSX:DCBO (Docebo Inc.)
5. TSX:GSY (goeasy Ltd.)
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