4 Stocks That Could Turn $100,000 Into $500,000 By the Time You Retire

Description

As an asset class, stocks have created massive wealth over the long term. Equity markets in the U.S. and Canada have consistently outpaced inflation and enhanced investor wealth over time. So, it makes sense to take advantage of the ongoing stock market volatility and buy quality companies at a discount.

I have identified four stocks that can turn $100,000 into $500,000 by the time you retire.

An e-commerce heavyweight

Down 82% from all-time highs, **Shopify** (TSX:SHOP)(NYSE:SHOP) is among the worst performing stocks on the **TSX**. After an emphatic pandemic-fueled run, investors are worried about the company's deceleration in top-line growth and inconsistent profit margins. But Shopify is well poised to benefit from the expanding e-commerce market.

Shopify provides tools and services to merchants, enabling them to manage sales across online and offline channels. These services include payment processing, digital marketing, shipping, and financing. In 2021, the Shopify platform powered more than 10% of total e-commerce sales in the U.S., second only to **Amazon**.

While Shopify's sales rose 86% in 2020 and around 60% in 2021, they increased by "just" 16% year-over-year in Q2. Further, the company reported a GAAP loss (referring to loss under generally accepted accounting principles) of $0.95 per share in the quarter.

However, retail online sales are forecast to surpass US$7 trillion by 2025, which will provide Shopify with plenty of room to expand its revenue in the next decade.

A recession-resistant stock

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is a globally diversified infrastructure company. It owns a large, diversified portfolio of cash-generating assets that include pipelines, data centers, cell towers, and power lines, among others.

Brookfield's cash flows are contractually secured or government-regulated, meaning that they are recession-resistant in nature. Plus the nature of Brookfield's business means that it generally tends to do well during times of inflation. The company increased its funds from operations (FFO) from $0.62 per share in 2009 to an expected $3.84 in 2022.

Another strategic advantage is that BIP is very good at running and improving the assets it owns. It seeks to sell assets at a good price and put the money to work in a new investment, with a goal of "buy, enhance, sell, repeat."

In the last ten years, BIP has returned close to 550% to investors in dividend-adjusted returns. Due to its stable cash flows, Brookfield offers investors a tasty forward yield of 3.4%. Its dividend payouts have also increased by 9.6% annually in the last 14 years.

An undervalued cannabis bet

A high-growth cannabis stock trading at an attractive valuation, **Green Thumb Industries** (CNSX:GTII) remains a compelling bet. There is a good chance that the U.S. will legalize marijuana at the federal level, which will be a key driver of revenue growth for this company. In fact, the cannabis industry is forecast to grow at an annual rate of 20% through 2025 to top $30 billion, according to a report from New Frontier Data.

Green Thumb recently reported its eighth consecutive profitable quarter in Q2 of 2022. While sales rose 14.6% to US$254.3 million, its net income stood at US$24.4 million or US$0.10 per share in the June quarter.

Valued at less than three times forward sales, Green Thumb stock is trading at a discount of 100% compared to average price target estimates.

A utility buy

The final stock on my list is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN). Shares of the Canadian company have returned 326% to investors in the last decade and it offers an attractive forward yield of 5.1%.

Algonquin generates two-thirds of its cash flows from the utilities business and the rest from renewable energy. The company aims to allocate $12.4 billion towards capital expenditure in the next five years, which should drive up cash flows and dividend payouts.

Despite being an asset-heavy business, Algonquin has successfully decreased its operations and maintenance efficiency ratio as a proportion of its revenue. It stood at 66% in 2012, declined to 42% in 2021, and is forecast to touch 35% by 2026. The ratio is basically the company's operating cost as a portion of its revenue.

With Algonquin stock trading undervalued right now while still offering its attractive dividend, it's easily one of the top stocks for Canadians to consider.

Each of these four stocks have the potential to deliver outsized gains to long-term investors. These companies should continue to grow revenue and expand profit margins in the future, driving share prices significantly higher and increasing investor wealth five-fold over the next two decades.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. CNSX:GTII (Green Thumb Industries)
2. NASDAQ:AMZN (Amazon.com Inc.)
3. NYSE:AQN (Algonquin Power & Utilities Corp.)
4. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
5. NYSE:SHOP (Shopify Inc.)
6. TSX:AQN (Algonquin Power & Utilities Corp.)
7. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
8. TSX:SHOP (Shopify Inc.)

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