2 TSX Stocks With Market-Beating Potential

Description

Currently, the stock market is under pressure, and even a hint of bad news leads to massive share price declines. Take the case of the omnichannel commerce platform provider **Lightspeed** (TSX:LSPD). The company delivered revenues and adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) ahead of what it projected for the second quarter (Q2). However, it lowered the upper range of its full-year revenue guidance, citing macro headwinds. Following the announcement, investors dumped this technology stock, which closed about 18.6% lower.

While I am bullish about Lightspeed stock and see this decline, despite strong organic sales (it recorded 35% growth) as an opportunity to go long (strictly for the long term), let's look at two TSX stocks that have market-beating potential like Lightspeed.

Kinaxis

Kinaxis (TSX:KXS) offers cloud-based supply chain management and business planning software. What stands out for Kinaxis is that the momentum in its business has sustained in 2022, despite macro headwinds.

Kinaxis is winning new customers, delivering solid annual recurring revenue growth (recorded 25% growth in Q3), and has recently raised its full-year sales and adjusted EBITDA margin guidance, which reflects the strength of its business model.

So far this year, Kinaxis has won 35% more customers than in 2021. Including the recent acquisition of MPO, this number is greater than 40%. While Kinaxis's enterprise customer base is growing, incremental bookings, strong renewal rates, and a solid backlog (over half-a-billion dollars) augur well for growth.

Thanks to the ongoing momentum in its business, Kinaxis has raised its full-year revenue and adjusted its EBITDA margin outlook. It expects to deliver revenues of US$365-$370 million in FY22, up from its previous guidance of $355-$365 million. Further, Kinaxis expects to deliver adjusted EBITDA margins of 18-20% compared to its prior outlook of 16-19%.

The continued demand for its offerings, solid operating metrics, and upbeat outlook makes Kinaxis a solid investment that has the potential to outperform the broader markets by a significant margin.

goeasy

goeasy (TSX:GSY) stock has underperformed this year due to the worsening macroeconomic outlook. However, in the past five years, it increased at a CAGR, or compound annual growth rate, of over 30%, beating the broader markets by a wide margin.

The current pullback in goeasy stock is an opportunity for investors to buy this high-growth stock with a solid history of dividend payments. Its top and bottom line had a CAGR of 16% and 34%, respectively, in the past decade. Further, the momentum in its business has sustained in 2022, indicating that the selloff in goeasy stock is unwarranted. An improvement in the economy will lead to a rally in its price.

goeasy is confident about growing its revenues at a double-digit rate in the coming years. A wide range of products, omnichannel offerings, a large subprime lending market, and higher loan originations will drive its top line. Further, the leverage from higher sales, stable credit quality, and cost savings will support its margins and earnings per share.

goeasy has raised its dividend in the last eight years. Further, its growing earnings base indicates that it could continue to enhance shareholders' value through higher payouts in the foreseeable future. Investors can earn a decent dividend yield of 3.3% by investing in goeasy stock at current levels. Further, its robust growth implies that goeasy stock is poised to deliver market-beating returns in the coming years.

CATEGORY

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2. TSX:KXS (Kinaxis Inc.)
3. TSX:LSPD (Lightspeed Commerce)

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