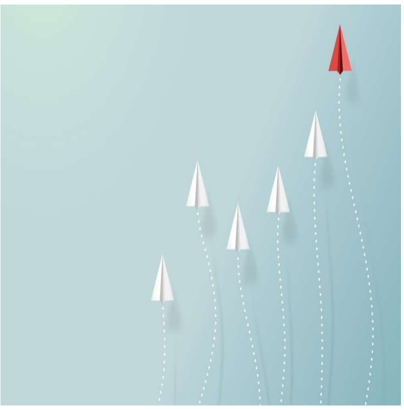

3 High-Growth Stocks That Could Soar

Description

The stock market is all over the place lately and there are signs that the U.S. (and global) economy is weakening, but there are still plenty of businesses posting blistering growth. Digital transformation — a term used for the wave of organizations upgrading their operations for the 21st century — is sweeping the globe, and spending on new digital-first systems and services is expected to grow well into the double-digits on a yearly basis for the foreseeable future.

Nevertheless, even a fast-growing company isn't exempt from stock-market turmoil, and **The Trade Desk** (NASDAQ: TTD), **Twilio** (NYSE: TWLO), and **Splunk** (NASDAQ: SPLK) have all sold off from all-time highs in recent months. Here's why shares in these three stocks could soar higher once again and benefit investors who held on or bought in.

1. The Trade Desk: Connected TV is here … and expanding

The Trade Desk is a cloud-based platform for digital advertising buyers. Rather than the walled garden offered by the likes of **Alphabet**'s Google, **Facebook**, or even **Amazon**, The Trade Desk's platform allows advertisers to launch campaigns across a range of digital formats and devices and it integrates those campaigns with other data partners and publishers. As far as how it works, think of it as a stock exchange, except advertisers are bidding on and purchasing ad slots targeted at certain demographics, time slots, and digital outlets.

This "programmatic" type of ad buy accounts for a small fraction (less than 5%) of the over $700 billion global advertising industry. But CEO Jeffrey Green, citing reports from Magna Global, says that programmatic ad spending is expected to grow around 20% in 2019. The Trade Desk also maintains its view that the vast majority of advertising will be digital in the near future, and most of that will be done programmatically — versus a general campaign that isn't targeted.

The company's revenue is growing fast — 42% in the second quarter of 2019, building on a 41% increase in Q1 and a 55% increase in 2018. Those are big numbers, especially for a company tracking to top $500 million in total sales this year. The best could be yet to come, though, as connected television and music are gaining in momentum and are a leading driver of new business for The Trade

Desk. Lots of new services are getting ready to go live, giving this technology outfit a clear outlet to go after new dollars spent on its platform.

It's still early in the game for The Trade Desk, and the company is barely free-cash-flow positive (money left after operating and capital expenditures are paid for). It's running at just under $60 million in free cash over the last 12 months. As with the other two companies on this list, though, it's all about maximizing sales right now and worrying about profit later. With business momentum still going strong, picking up this stock after it dropped 34% from its all-time high in late July could pay off big down the road.

2. Twilio: New communications for a new era

Instead of reinventing software programs, Twilio allows developers to utilize a cloud-based set of existing apps and other integrative capabilities (an application programming interface, or API). The tools available are geared toward enabling new means of communication via a company's app or website, things like web-based chat and texting, email management, voice calls, and account login authentication.

While many consumers have never heard of Twilio, it's likely they have used one of the company's APIs when interacting with a business. That's because Twilio has a big and fast-expanding list of customers that use its platform. Some notable names include **Nordstrom**, Trulia, Airbnb, and **Lyft**, to name just a few. According to tech researcher IDC, Twilio is the leader in cloud-based communications, almost solely responsible for creating the industry since its founding in 2008.

That's high praise, but the numbers back it up. Second-quarter 2019 revenue was up a sizzling 86% year over year to $275 million, building on the 63% increase for full-year 2018. That puts the company on track to exceed total sales of $1 billion this year as demand for its next-gen communications capabilities soars.

Twilio operates at a loss as it too is maximizing its revenue growth potential and will worry about the bottom line later (free cash flow was negative $56 million over the last 12 months). Twilio has ample cash to fund its expansion, though, reporting $1.88 billion in cash and equivalents on the books at the end of June 2019. Shares are 26% off all-time highs as of this writing. If Twilio's momentum continues, the current slump could be a distant speck in the rear-view mirror.

3. Splunk: Data analytics is a hot theme this year

One of the benefits of the new digital economy is the large amounts of available data — specifically, increased visibility on what's happening with an organization's operations. But having the data is one thing; turning it into an actionable insight is another altogether. That's where data analytics software comes in. It's an industry that has been in the limelight in 2019 thanks, in large part, to a few blockbuster deals made by **salesforce.com** and Google.

Splunk is a leader in the space. The software provider helps businesses organize and analyze data that is locked up in old legacy computer systems, as well as newer operations deployed in the cloud. The analytics engine is good for a broad range of uses, from monitoring equipment connected to a network to payment processing activity to coordinating cybersecurity efforts.

Splunk is the largest company on this data analytics list, hauling in $517 million during Q2. There's still plenty left in the tank, though, as the revenue figure represented 33% year-over-year growth. The company has come under a bit of pressure lately because of its aggressive expansion plan. While free cash flow over the last year is positive $51 million, that number is going to slide into negative territory — primarily due to recent acquisitions and the company switching to renewable software licensing contracts.

The stock is down 17% from its highs in late July and has leveled off a bit in the last year as investors digest the company's recent activity. Thus, with shareholder sentiment lackluster and Splunk making some adjustments for further growth, now looks like a good time to buy in for the long term.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NASDAQ:SPLK (Splunk Inc.)
2. NASDAQ:TTD (The Trade Desk)
3. NYSE:TWLO (Twilio Inc.)

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