

3 Growth Stocks to Dive Into

A business that's growing quickly with shares at an attractive price is a rare thing. Here are three such picks for Foolish investors.



Sean O'Reilly, Matthew Frankel, And Brian Feroldi ([TMFInsight](#))
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Buying shares in high-growth companies is one of the best ways to find the winning stocks of tomorrow. These companies are experiencing growth for a reason: Their products are in demand, and market share is growing. For Foolish investors looking for growth stocks worth diving into, here's why **Baidu** ([NASDAQ:BIDU](#)), **Paycom Software** ([NYSE:PAYC](#)), and **Square** ([NYSE:SQ](#)) should be at the top of the list.

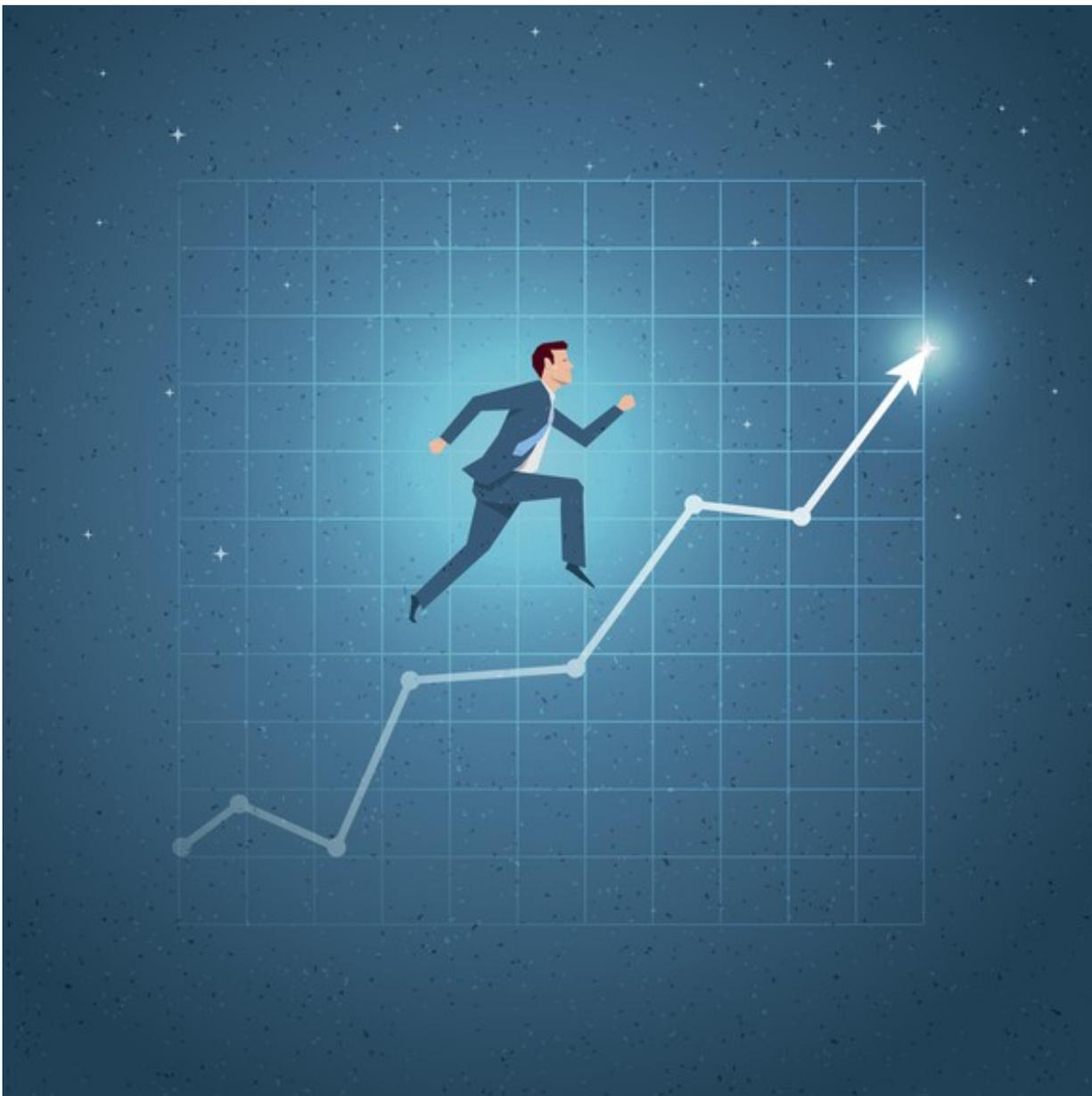


IMAGE SOURCE: GETTY IMAGES.

High-growth and a virtual monopoly to boot

Sean O'Reilly (Baidu): Baidu is not only a growth stock but one with a near-monopoly in the world's most populous country. Founded in 2000, Baidu has over 80% market share of internet search in the People's Republic of China. Baidu is also making significant inroads into the mobile internet market via numerous smartphone applications.

Baidu's growing portfolio of internet properties ensures that it remains a growth stock for years to come. Its Netflix-like streaming service, iQiyi, reported 480 million monthly active users as of last year. Revenue from the service, mostly ad-based, surged from \$857 million in fiscal 2015 to \$1.65 billion in 2016. Baidu doesn't report mid-year results for most of its segments. But it seems likely that iQiyi has only grown in this nation of 1.3 billion people. For Chinese citizens, Baidu is everywhere. It is the owner of Hao123.com (an internet directory), Mobile Baidu, the mobile version of its flagship search engine, and numerous other apps that

it continues to expand and iterate.

The company's growth chops were evident in its second-quarter earnings release. Profits surged 46.9% to \$621 million, and the top line (held back by a shift in how its search business operates) came in at over \$3 billion (a 14.3% year-over-year increase). According to analysts polled by S&P Global market intelligence, BIDU shares trade for 33 times forward earnings. More than fair, as EPS are expected to grow by 24.5% per year through FY 2022. With a dominant search engine and a long runway of growth in the world's most populous country, Baidu is a perfect [growth stock](#) to dive into today.

A huge market opportunity

[Matt Frankel \(Square\)](#): Many investors think payment-processing solutions company Square is starting to look a bit expensive. And it makes sense -- the stock has nearly tripled over the past year.

However, the stock has performed so well for a reason. Growth has been excellent and has exceeded analysts' expectations. Gross payment volume is up 32% year over year, and revenue grew by 26%. Other areas of Square's business are performing well also, such as Square Capital, the company's small business lending platform that has grown 68% over the past year. In fact, Square Capital is doing so well that Square has recently [applied for a license](#) to open its own bank.

In the [second quarter](#) of 2017, Square's platform was used to process \$16.4 billion in payments -- a \$65.6 billion annualized rate. While this may sound like a lot (and it is, considering where Square was just a few years ago), it's a small fraction of the company's addressable market. Square is only in five countries around the world, and many of the places where small businesses could really use Square's products, particularly Asia and the Middle East, have not yet been capitalized on.

Two-thirds of businesses around the world still don't accept card payments, and The Nilson Report estimates that [worldwide card payment volume](#) will reach \$55 trillion annually by 2025. Square's gross payment volume is currently 0.1% of this amount -- that's a *big* growth opportunity, and that's why the stock could still be an excellent value at about \$30 per share.

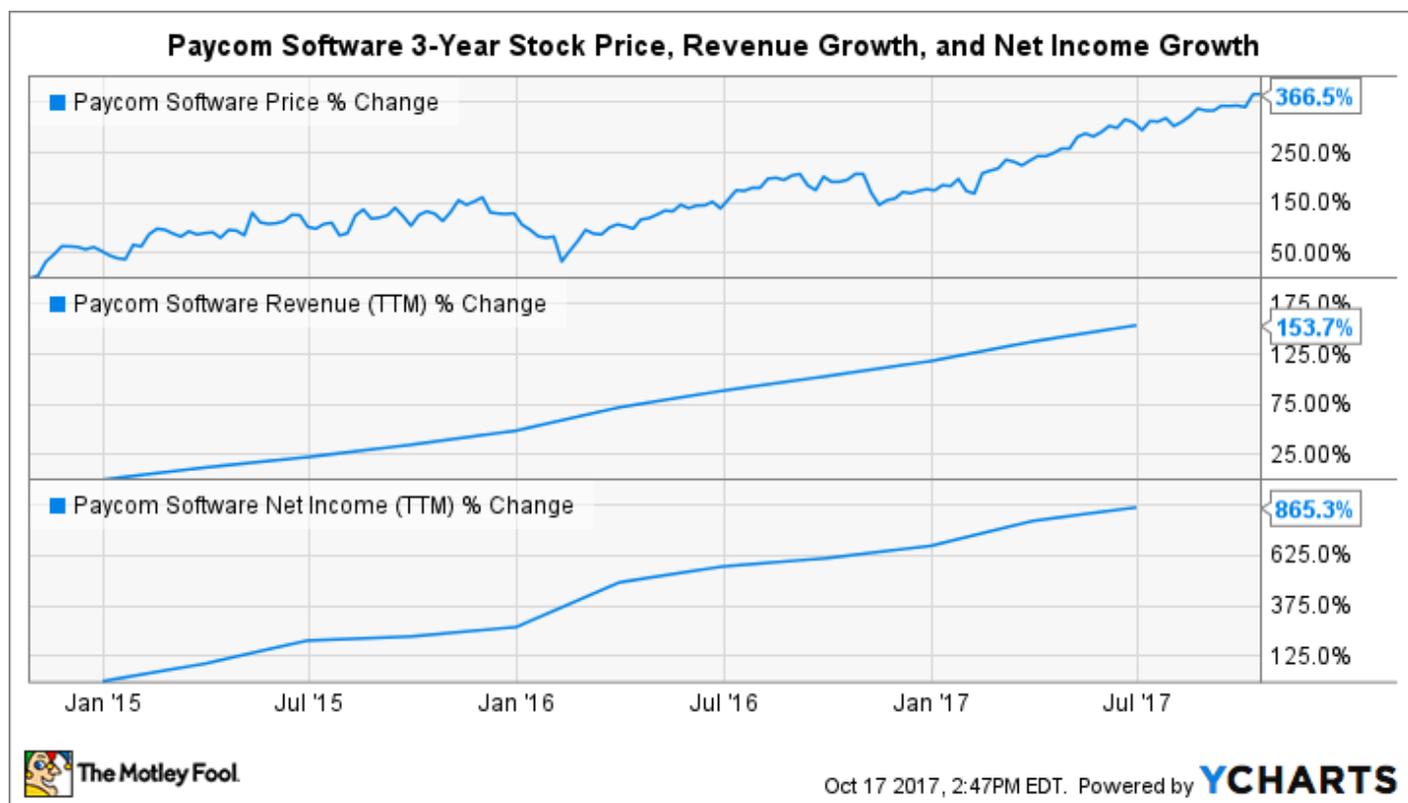
An all-in-one HR solution

[Brian Feroldi \(Paycom Software\)](#): Stroll on down to your company's human resource department and ask them how many separate systems they currently manage. If you work for a typical business, the odds are good that the answer is more than one. It is quite common for employers to use software from multiple vendors to handle tasks like hiring, onboarding, training, scheduling, vacation, payroll, and more.

Paycom Software is on a mission to change this state of affairs for the better. Paycom offers

cloud-based software that can handle multiple HR functions within a single system. Paycom likes to say that its solution can be used throughout an employee's lifecycle, or "from hire to retire."

This all-encompassing solution has struck a chord with employers of all sizes, and the company has been attracting new customers in droves. That's helping the company to produce fantastic financial results, which has made its stock red-hot.



[PAYC DATA BY YCHARTS](#)

Despite its success, Paycom recently confirmed that its overall market share is still [in the low single digits](#). That suggests that this growth story is still just getting warmed up.

Newly released! 10 stocks we like better than Baidu

On October 13, investing geniuses David and Tom Gardner revealed what they believe are the [ten best stocks](#) for investors to buy right now... and Baidu wasn't one of them! That's right -- they think these 10 stocks are even better buys.

And when the Gardner brothers have a stock tip, it can pay to listen. After all, the newsletter they have run for over a decade, *Motley Fool Stock Advisor*, has tripled the market.*

[See the 10 stocks](#)

*Stock Advisor returns as of October 9, 2017

Brian Feroldi owns shares of Baidu, Paycom Software, and Square. Matthew Frankel owns shares of Square. Sean O'Reilly has no position in any of the stocks mentioned. The Motley Fool owns shares of and recommends Baidu and Paycom Software. The Motley Fool owns shares of Square. The Motley Fool has a disclosure policy.

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STOCKS



Baidu

NASDAQ: BIDU

\$232.66 \$-6.71 (-2.80%)



Paycom Software

NYSE:PAYC

\$80.35 \$-1.66 (-2.02%)



Square

NYSE:SQ

\$34.82 \$0.38 (-1.08%)

COMPARE BROKERS
