3 Stocks That Feel Like Wal-Mart in 1970

There's plenty of growth ahead for these three companies.

Timothy Green, Matthew DiLallo, And Leo Sun (TMFBargainBin)
Jan 24, 2018 at 8:30AM

Since going public in 1970, **Wal-Mart Stores** (NYSE:WMT) has grown into a retail behemoth. Annual revenue is approaching $500 billion, spread across its U.S. stores, international stores, Sam's Club warehouse clubs, and e-commerce.

Buying into the Wal-Mart story in 1970 would have been a lucrative move. The stock has gained about 150,000% since then, good for an annualized return of about 16.5%. Are there any stocks that look like Wal-Mart did in 1970? Wal-Mart itself fits the bill, with its aggressive push into e-commerce just getting started. **Five Below** (NASDAQ:FIVE) and **Square** (NYSE:SQ) are also contenders, both growing blisteringly fast. Here's what three of our Foolish investors think.

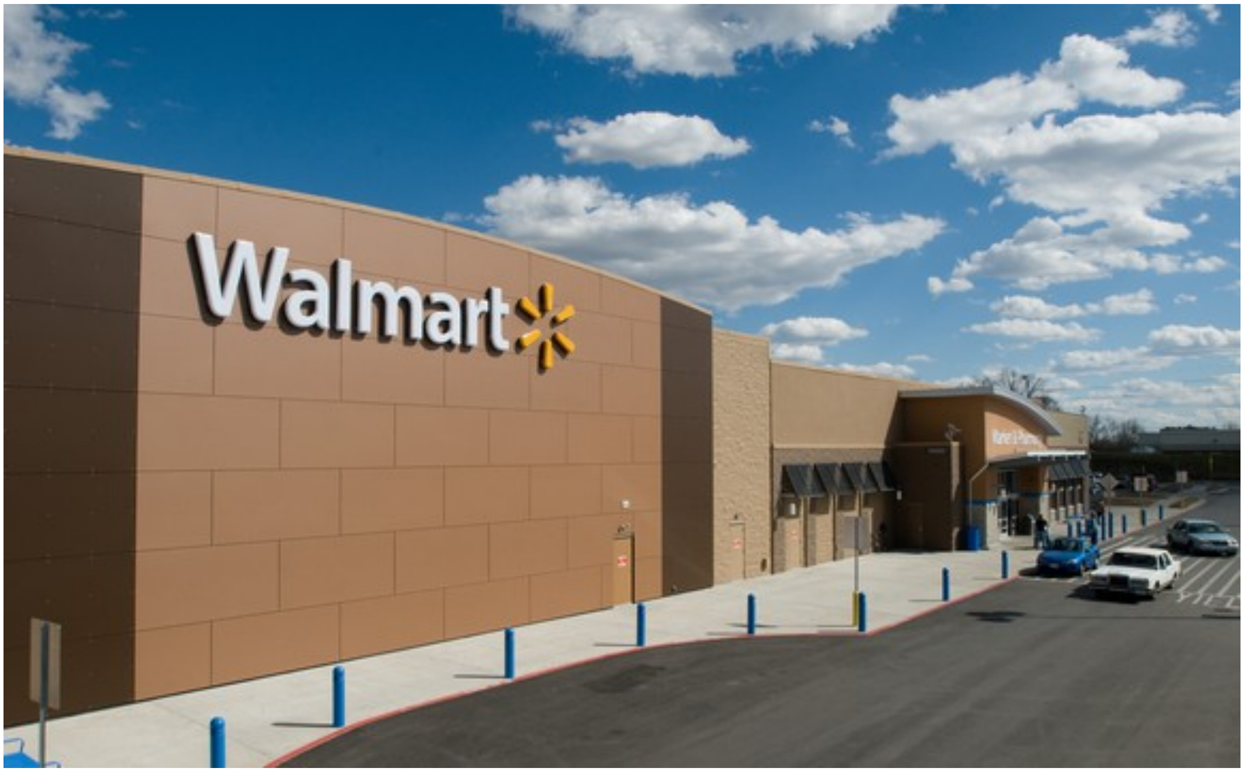

IMAGE SOURCE: WAL-MART.

The next Wal-Mart is Wal-Mart

Tim Green (Wal-Mart Stores): Wal-Mart has grown into a dominant discount retailer over the past five decades. Over the coming years, the company will look to leverage that dominance to repeat the process for online retail. Wal-Mart is still in the early innings of its plan to become an equal to **Amazon.com**. So far, the company's progress has been impressive.

Wal-Mart is pushing forward on a few different fronts. It acquired start-up Jet.com in 2016 for about $3 billion, putting Jet CEO Marc Lore in charge of the entire e-commerce operation. Soon after, Wal-Mart rolled out free two-day shipping on orders above $35, with no membership fee required. This forced Amazon to get a little more generous with its own non-Prime free shipping offer.

On top of free shipping, Wal-Mart has vastly expanded its assortment of items on Walmart.com and implemented a pick-up discount initiative that gives shoppers a discount for opting to pick up some items at a store.

Wal-Mart is also focusing on online grocery, expanding its grocery pick-up service to more than 1,000 stores. This service is free, and the company is even testing a convenience-store concept centered around grocery pickup to give customers even more choices.

These efforts have led Wal-Mart's e-commerce business to boom. U.S. e-commerce sales surged 50% year over year during the third quarter, driven by organic growth through Walmart.com. Wal-Mart's e-commerce business looks a lot like the brick-and-mortar business did decades ago.

This niche retailer is growing like a weed
Leo Sun (Five Below): Wal-Mart grew like a weed in the early 1970s, because consumers wanted superstores that sold products at discount prices. Today, discount retailer Five Below -- which sells products that cost up to $5 -- is posting similar growth, thanks to its niche appeal and popularity with younger shoppers.

Five Below sells a wide variety of products, including games, trading cards, fashion accessories, bath and body products, candy, drinks, room decorations, stationery, books, electronic accessories, and novelty items. It primarily targets pre-teens and teens, but it also sells products for college students and young adults. Its stores are mostly situated in strip malls or college towns.

Five Below applies the dollar store model to "fun" products instead of essential ones, and this unique approach pays off. Last year, it posted 20% revenue growth and 24% earnings growth. Analysts expect its revenue and earnings to respectively rise another 28% and 38% this year. Much of that growth will be fueled by its expansion into new markets -- Five Below currently has 626 stores, but it sees a potential market of over 2,000 stores in the U.S. alone.

The bears often claim that Five Below's strategy of using store openings to drive its sales growth is unsustainable, but its 8.5% comps growth last quarter silenced many critics. If Five Below's management maintains this disciplined course, the company could evolve into a much larger retailer over the next few years.

Just getting started
Matt DiLallo (Square): Mobile-payments company Square is revolutionizing the retail industry. However, instead of selling goods for the lowest price, the company enables small retailers and other businesses to have access to the same tools as their larger counterparts for a much lower price. That's empowering these companies to increase sales and profitability.

Businesses have been rapidly adopting Square's suite of product offerings, which is fueling impressive revenue growth for the company, up 45% in the third quarter on an adjusted basis. That's an acceleration from the 41% increase in the prior quarter. However, the company is just getting started, given the continued shift toward a cashless society. In fact, credit card transaction volume is on pace to grow 54% by 2020, according to The Nilson Report, which should benefit Square by driving additional customers to sign on to its network even as volumes from legacy customers increase.

Square estimates that it currently controls about 3% of its addressable market, which it pegs at about a $26 billion revenue opportunity. However, in addition to expanding its share of that market, the company is building a suite of products to tap into an addressable market representing a $60 billion annual revenue opportunity. That massive upside is why Square still feels as if it's in the very early stages of its growth phase.

10 stocks we like better than Wal-Mart Stores
When investing geniuses David and Tom Gardner 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.*

David and Tom just revealed what they believe are the **ten best stocks** for investors to buy right now… and Wal-Mart Stores wasn't one of them! That's right -- they think these 10 stocks are even better buys.

See the 10 stocks

**Stock Advisor returns as of January 2, 2018*

John Mackey, CEO of Whole Foods Market, an Amazon subsidiary, is a member of The Motley Fool's board of directors. Leo Sun owns shares of Amazon. Matthew DiLallo owns shares of Amazon and Square. Timothy Green has no position in any of the stocks mentioned. The Motley Fool owns shares of and recommends Amazon. The Motley Fool owns shares of Square. The Motley Fool recommends Five Below. The Motley Fool has a disclosure policy.

AUTHOR

Timothy Green, Matthew DiLallo, And Leo Sun
(TMFBargainBin)

Tim writes about technology and consumer goods stocks for The Motley Fool. He's a value investor at heart, doing his best to avoid hyped-up nonsense. Follow him on Twitter:

Follow @TMFBargainBin

ARTICLE INFO

Jan 24, 2018 at 8:30AM

Technology and Telecom

STOCKS

Wal-Mart Stores
NYSE:WMT
$106.60 (0.00%)

Five Below
NASDAQ:FIVE
$67.27 (0.00%)

Square
NYSE:SQ
$45.12 (0.00%)

Why Shares of Alteryx Jumped Today

There was no news about this data analytics upstart. What's going on?

Timothy Green (TMFBargainBin)
Jan 25, 2018 at 4:47PM

What happened

Shares of data analytics software company **Alteryx** (NYSE:AYX) jumped on Thursday; there was no news behind the move. The company went public in early 2017, and the stock has trended upward since thanks to three solid quarterly reports. Alteryx stock closed up 7.8% on Thursday, after having been up as much as 13.5% earlier in the day.

So what

Since going public last year, Alteryx has been putting up some impressive growth numbers. During the third quarter, results for which the company reported in November, Alteryx grew revenue by 52% year over year and managed a dollar-based net revenue retention rate above 130%, indicating a low churn rate. The total number of customers grew 49% year over year to 3,054.

IMAGE SOURCE: GETTY IMAGES.

Alteryx also posted a profit on a non-GAAP basis, reporting non-GAAP earnings per share (EPS) of $0.02. That was $0.10 better than analysts were expecting. Revenue of $34.2 million also came in above analyst expectations, beating the average estimate by about $2 million.

Nothing new emerged from or about the company on Thursday, so this gain looks like it's being driven by continued optimism from investors.

Now what

Alteryx will report its fourth-quarter and full-year results after the market closes on Feb. 21. Analysts are expecting revenue of $35.9 million, up about 44% year over year, along with a non-GAAP loss of $0.03 per share.

With Alteryx now valued at $1.77 billion, about 15 times trailing 12-month sales, the company is going to need to continue exceeding expectations to keep investors happy.

Timothy Green has no position in any of the stocks mentioned. The Motley Fool recommends Alteryx. The Motley Fool has a disclosure policy.

been described as "strikingly similar to an early Amazon.com."

Learn more

AUTHOR

Timothy Green
(TMFBargainBin)

Tim writes about technology and consumer goods stocks for The Motley Fool. He's a value investor at heart, doing his best to avoid hyped-up nonsense. Follow him on Twitter:

Follow @TMFBargainBin

ARTICLE INFO

Jan 25, 2018 at 4:47PM

Technology and Telecom

STOCKS

AYX

Alteryx
NYSE:AYX
$30.00 (0.00%)