3 Stocks with Tremendous Growth Potential in 2023

Given the pace and intensity of the Fed's monetary tightening, there's a strong likelihood that the U.S. will enter a recession in 2023. However, amid a strong job market and resilient consumer spending, the possibility of a soft landing still stands. Given this backdrop, quality stocks Gilead Sciences (GILD), Coca-Cola Consolidated (COKE), and Ooma (OOMA), with immense growth potential, might be ideal investments this year. Let's discuss.

As investors mull over the Fed's next steps to steer the economy toward a "soft landing' that quells inflation and avoids recession, some stocks have experienced significant gains since the start of the year.

To capitalize on this opportunity, let us explore the growth potential of fundamentally solid stocks Gilead Sciences, Inc. (GILD), Coca-Cola Consolidated, Inc. (COKE), and Ooma, Inc. (OOMA) that are poised to generate substantial returns in the future.

With persisting inflationary pressures, the Fed is expected to continue its rate hike regime. The US central bank is struggling to battle high inflation and might have to keep increasing interest rates before taking its pedal off the accelerator.

While Fed Chair Jerome Powell officially declared that the "disinflation process has begun' after February's meeting, a recent report from the Commerce Department's Bureau of Economic Analysis shows that Personal Consumption Expenditure (PCE) price index rose 5.4% in January, higher than expected.

With the market trying to figure out if future rate hikes are adequately priced, the next batch of economic indicators is

likely to be crucial. Investors are awaiting February's jobs report, which is slated for Friday after January's blockbuster number showed a resilient labor market despite the Fed's aggressive hiking.

On the bright side, the wide gap between job openings and available workers is one reason economists think the U.S. could avoid a recession this year. Furthermore, on the backs of strong consumer spending and retail report, Shark Tank investor Kevin O'Leary believes that stocks are turning in a return of about 8% this year, as the US economy is flushing with cash and will likely manage a soft landing.

Given the current muddled outlook of the economy, investors should emphasize on adding quality stocks with a focus on earnings consistency and high profitability. Fundamentally sound stocks GILD, COKE, and OOMA might be solid buys now to garner solid returns in the future. These companies are leaders in their respective industries and are poised for sustained growth.

Gilead Sciences, Inc. (GILD)

GILD is a biopharmaceutical company focusing on developing and commercializing medicine for treating life-threatening diseases, including HIV, viral hepatitis, and cancer.

Recently, Kite, a GILD company, acquired Tmunity Therapeutics, a clinical-stage biotech company focused on next-generation CAR T-therapies and technologies. This acquisition complements Kite's existing in-house cell therapy research capabilities by adding additional pipeline assets, platform capabilities, and unique partnership with the University of Pennsylvania.

On February 3, GILD announced that the U.S. Food and Drug Administration (FDA) had approved Trodelvy to treat adult patients with pre-treated HR+/HER2- metastatic breast cancer who have received prior endocrine-based therapy and at least two chemotherapies.

Moreover, in January, the European Medicines Agency also validated a Type II Variation Marketing Authorization Application for the same. Given the limited treatment options, such approvals make Trodelvy accessible to more patients across the EU.

On January 30, Kite and Arcellx, Inc. (ACLX) announced a strategic collaboration to co-develop and co-commercialize ACLX's lead late-stage clinical CART-ddBCMA for the treatment of patients with relapsed or refractory multiple myeloma.

In the same month, GILD and EVOQ Therapeutics, Inc. announced a collaboration and licensing agreement to advance EVOQ's proprietary technology for treating rheumatoid arthritis (RA) and lupus. Under the agreement, GILD would receive the rights to exclusively license EVOQ's NanoDisc technology to develop and commercialize immunotherapy products clinically.

On February 2, GILD increased its quarterly cash dividend by 2.7% to $0.75 per share of common stock, payable on March 30, 2023. The company's annual dividend of $3 yields 3.70% at the current price level. Its dividend payouts have increased at a 5% CAGR over the past three years and a 7% CAGR over the past five years. GILD has a record of seven years of consecutive dividend growth.

GILD's total revenues increased 2% year-over-year to $7.39 billion for the fiscal fourth quarter that ended December 31, 2022. Its adjusted operating income grew 79.1% from the year-ago value to $2.70 billion, while its non-GAAP attributable net income came in at $2.11 billion, representing a 143.2% improvement year-over-year.

Also, the company's adjusted EPS increased by 142% from the prior-year value to $1.67.

For the fiscal second quarter ending on June 30, 2023, GILD's EPS is expected to increase 8.8% year-over-year to $1.72. Its revenue for the same quarter is expected to increase by 3.6%

year-over-year to 6.49 billion. The company surpassed the consensus EPS and revenue estimates in each of the trailing four quarters, which is promising.

GILD’s revenue and EBITDA have increased at CAGRs of 6.7% and 6.8%, respectively, over the past three years, while its levered free cash flow has grown at a 10.1% CAGR.

The stock’s trailing-12-month EBITDA margin of 47.93% is substantially higher than the 3.56% industry average. Its trailing-12-month net income margin of 16.83% compares with the negative 7.24% industry average.

Over the past year, the stock has gained 33.2% to close the last trading session at $80.28.

GILD’s solid prospects are reflected in its POWR Ratings. The stock has an overall rating of A, translating to a Strong Buy in our proprietary rating system. The POWR Ratings are calculated by considering 118 different factors, with each factor weighted to an optimal degree.

It also has an A grade for Growth and Value and a B for Quality. Out of the 399 stocks in the Biotech industry, it is ranked #2. To see the other ratings of GILD for Momentum, Stability, and Sentiment, click here.

Coca-Cola Consolidated, Inc. (COKE)

COKE and its subsidiaries manufacture, market, and distribute nonalcoholic beverages, primarily products of The Coca-Cola Company (KO) in the United States. It offers sparkling and still beverages, including energy products and noncarbonated beverages. Additionally, it distributes products for various other beverage brands, including Dr. Pepper and Monster Energy.

On February 10, 2022, COKE paid a quarterly dividend of $0.50 per share, up 100% from the previous quarter. Backed by its

strong cash flows, it also paid a special cash dividend of $3 per share to its shareholders.

The company has a four-year average annual dividend yield of 0.32%, and its annual dividend of $2.00 yields 0.36% at the current price level. Its dividend payouts have increased at a 7.7% CAGR over the past three years.

COKE’s trailing-12-month ROCE of 47.08% is 377.9% higher than the 9.85% industry average. Likewise, its trailing-12-month ROTA of 22.55% is 263.9% higher than the industry average of 6.20%.

In the fiscal fourth quarter that ended December 31, 2022, COKE’s net sales increased 12.2% year-over-year to $1.57 billion. Its non-GAAP income from operations grew 90.8% from the year-ago value to $173.26 million, while its non-GAAP net income increased 100.6% year-over-year to $127.15 million.

The company’s net income per share came in at $12.61, representing a 512.1% year-over-year improvement. Also, its sparkling and still beverage sales increased 19% and 7.4% from the prior-year quarter to $948.50 million and $468.10 million, respectively.

Over the past three years, COKE’s EBITDA and EBIT have grown at 32.5% and 54.2% CAGRs, respectively. Moreover, its net income has grown at 235.7% CAGR over the same period.

Shares of COKE have gained 19.4% over the past six months to close the last trading day at $543.10.

COKE’s strong fundamentals are reflected in its POWR Ratings. It has an overall rating of A, which equates to a Strong Buy in our proprietary rating system.

It has an A grade for Growth and a B for Value, Stability, Sentiment, and Quality. Among 37 stocks in the A-rated Beverages industry, it is ranked #2. Click here to see COKE’s

rating for Momentum.

Ooma, Inc. (OOMA)

OOMA provides communications services and related technologies to businesses and residential customers in the United States and Canada. Its products include Ooma Business, Ooma Office, Ooma Enterprise, and Ooma AirDial.

On November 29, 2022, the company announced that T-Mobile for Business had started offering Ooma AirDial, a solution for POTS replacement, as part of its Internet of Things portfolio. This reflects the growing demand for OOMA's services and its vast market reach.

OOMA's total revenue increased 11.9% year-over-year to $56.50 million for the fourth quarter that ended January 31, 2023. Its gross profit grew 16.7% from the year-ago value to $35.96 million, while its non-GAAP operating income rose 26.9% year-over-year to $4.02 million.

The company's non-GAAP net income and non-GAAP net income per share increased 26.8% and 23.1% year-over-year to $4.10 million and $0.16, respectively. In addition, its adjusted EBITDA came in at $5.05 million, up 26.5% from the previous year's quarter.

Analysts expect OOMA's revenue to increase 12.3% year-over-year to $56.50 million in the first quarter (ending April 30, 2023). Its EPS is estimated to grow 13.3% year-over-year to $0.14 in the current quarter. Moreover, it surpassed EPS estimates in each of the trailing four quarters, which is excellent.

OOMA's revenue has grown at 12.6% and 13.6% CAGRs over the past three and five years, respectively. Also, its tang book value has grown at a 36.4% CAGR over the past three years.

The stock's trailing-12-month gross profit margin of 63.68% is

28.3% higher than the 49.63% industry average. Likewise, its trailing-12-month asset turnover ratio of 1.80x is 276.6% higher than the industry average of 0.48x.

Over the past six months, the stock has gained 3.6% to close the last trading session at $12.95.

It is no surprise that OOMA has an overall rating of A, equating to a Strong Buy in our proprietary rating system. It has an A grade for Growth and a B for Value, Stability, and Sentiment. Within the Telecom – Domestic industry, it is ranked #2 of 19 stocks.

In addition to the POWR Ratings stated above, we have also given OOMA grades for Momentum and Quality. Get all OOMA ratings here.

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GILD shares . Year-to-date, GILD has declined -6.49%, versus a 4.14% rise in the benchmark S&P 500 index during the same period.

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Shweta’s profound interest in financial research and quantitative analysis led her to pursue a career as an investment analyst. She uses her knowledge to help retail investors make educated investment decisions.

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