3 Top Canadian Growth Stocks for 2014

Description

Every investor dreams of finding the next big one.

Take investor favourite **Starbucks** (NASDAQ:SBUX) for example. Since the company's initial public offering in 1992, the stock has delivered a 25% compounded annual return for its shareholders. A $10,000 investment that year would be worth $1.08 million today.

But you didn't have to get in on the ground floor to earn a good return. Even investors that were late to the party have profited handsomely. The secret to earning up to two…20…even 100 times your original investment is to identify wonderful businesses with long growth runways and great management teams.

Of course with a market capitalization north of $60 billion, Starbucks' best days are probably behind it. But there're other companies right here in Canada that could potentially generate similar returns both in the New Year and beyond.

So which stocks made the list? Here're the top three Canadian growth stocks to add to your portfolio in 2014.

Earn a 6.7% yield from Saskatchewan's oil bonanza
Over the past decade, Chief Executive Scott Saxberg has transformed **Crescent Point Energy** (TSX:CPG) from an obscure startup into one of the largest players in the Canadian oil patch. Through a series of smart acquisitions, the company has a great set of light-oil assets throughout Saskatchewan and North Dakota.

Crescent Point has posted some truly incredible numbers. Since its inception, the company's has grown its reserves and production at an 18% and 7% annual clip respectively. And over the past decade cash flow has increased 19% per year.

But there's good reason to believe that Crescent Point's best days are still ahead. Throughout the Midwest operators have started waterflooding – the process of pumping water into old wells in order to boost production. Waterflooding has allowed Crescent Point to significantly boost the recovery factoron their wells thereby increasing their reserve estimates.

The results have been so impressive that management exceeded all of their targets last year. As the company irons out the process, additional improvements could further bump production figures providing a catalyst for a higher share price.

And investors are being compensated handsomely while they wait. The stock pays out an impressive 6.7% dividend yield and production growth could fuel further dividend hikes down the road.

The only growth stock you'll ever need
Dollarama (TSX:DOL) has been one of Canada's great business success stories. Over the past decade, the company has doubled its store count to almost 850 locations. And over just the past four years, sales and profits have increased 50% and 200% respectively.

Yet despite this expansion, the company still has a long growth runway. In the United States there's one dollar store for every 14,000 people among the top five chains. In Canada, there's only one store for every 29,000 people. This suggests that the dollar store concept is far from saturating the Canadian market.

The company is also finding success by moving into more upscale merchandise. Last year, Dollarama introduced new prices points with items up to $3.00. Items priced above $1 now make up more than 50% of the company's sales. Investors should expect higher ticket items to boost gross margins in upcoming quarters.

Is this stock the next 7-Eleven?
You may not have heard of this company, but you have probably shopped at one of its Couche-Tard, Mac's, or Circle K locations.

Alimentation Couche Tard (TSX:ATD.A, TSX:ATD.B) is the giant of the convenience store industry. And while this may not sound like a turbo-charged growth sector, the company has been exploiting strategic acquisitions to boost returns for shareholders. Over the past four years, Alimentation has grown sales and profits by 120% and 89% respectively.

But the company still has big potential internationally. The firm's acquisitions of **Statoil's** Fuel and Retail division has given the company a broad European footprint with 2,300 locations spread across Norway, Sweden, Denmark, the Baltics, Poland, and Russia.

Additionally, the company has less than 3,500 locations in Asia. These are massive, fast growing markets with significant expansion room. Finally, new products and logistics improvement should boost gross margins and same-store-sales at existing locations.

Foolish bottom line
Of course, when you're hunting for tall gains there's also the reality of dealing with big losses.

Unlike other strategies, growth investors need to watch their holdings closely for any hint of trouble.

Small missteps can be costly – *cough…cough…***Lululemon**. But the upside is that it only takes one or two multi-baggers to outweigh several bad picks and make one's entire investment career.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:VRN (Veren Inc.)

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