3 Surging Growth Stocks for Every Portfolio

Description

Investors often look at diversification in only one way — as spreading out assets between different sectors and different asset classes. Typically, an investor will hold some stocks in finance, energy, retail, precious metals, and so on. Investors will also spread out their risk between different asset classes, holding things like bonds, physical real estate, or GICs. When combined, all these asset classes merge to make a solid portfolio that should still perform no matter the market conditions.

But diversification can go deeper than that. If you're a value-oriented investor like me, you tend to have exposure to each sector primarily in certain names that are beaten up, or are trading at low price-to-earnings ratios. On the surface, this seems prudent. After all, many of the great investors made their fortunes betting on a handful of companies.

However, if you look at it a different way, I'm making a grave error. I have plenty of value in my portfolio, but no growth names. I'm missing out on many different possible winning stocks because I'm simply too stubborn to consider a stock trading at a high price-to-book value and higher P/E.

With that in mind, here are three growth companies I'm looking at for my portfolio, and you should too.

1. Dollarama

Dollarama (TSX: DOL) just keeps doing everything right and delivering stellar results to investors.

In 20 years, the chain has grown from just one store in a Quebec mall to the almost 1,000-store behemoth it is today. Since going public in 2010, the company has grown revenue from under $1.5 billion to more than $2 billion, and has grown earnings from under $2 per share to almost $4.

You'd think nearly 1,000 stores would mean the company's market is practically saturated, but there are still plenty of growth opportunities ahead. According to an analyst's report, the Canadian market has room for at least 1,800 dollar stores over time, giving Dollarama plenty of growth potential without even considering a move into other markets.

Recent results continue to impress. Total sales were up 12% compared to last year, even though cold weather plagued almost everyone in the sector. Profit also jumped more than 20% as customers continued to buy up items priced at more than a dollar.

2. AutoCanada

What happens when you get a company just beginning to consolidate one of the most fragmented industries in Canada? You get an amazing growth story.

Shares in **AutoCanada** (TSX: ACQ) have shot up since the company's 2010 IPO, going from just $4 to current levels near $85, and the growth isn't anywhere close to being finished. The company, which buys up auto dealerships from sole proprietors nearing retirement age, owns just 35 dealerships, most of which are located in western Canada. There are literally thousands of opportunities for growth across the country.

Analysts predict that revenue will more than double by the end of 2015, to more than $2.8 billion. Profits are also forecast to grow nicely, from current levels of $1.86 per share to almost $4. If the company can find a way to pull off those numbers, investors will be pretty happy to have bought at $85.

3. Alimentation Couche-Tard

Over the last 10 years, shares of little-known convenience store chain **Alimentation Couche-Tard** (TSX: ATD.B) are among the best performers on the TSX, rising more than 650%.

The company has expanded across the globe, picking up stores across Canada, the United States, and most recently, more than 2,500 stores from **Statoil**, Norway's state-owned oil giant. These stores are located primarily in Scandinavia and the Baltic States. Mainly because of this acquisition, revenues jumped more than 50% in 2013.

Because the company has proven it can operate stores no matter where they're located, the world is its oyster when it comes to acquisitions. Current CEO Alain Bouchard believes the company can double its store count again by 2023, which would mean adding an additional 12,500 stores. The company still sees plenty of opportunity in both the United States and Europe.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACQ (AutoCanada Inc.)
2. TSX:DOL (Dollarama Inc.)

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