Gildan Activewear Inc. and Saputo Inc.: Two Growing Companies You Should Buy Today

Description

If you're looking for some fast-growing companies to add to your portfolio, the **S&P/TSX 60** doesn't provide you with many options. This is a shame, but it shouldn't surprise anyone. Many of our largest companies, such as our banks and retailers, have little room to grow in Canada. And most Canadian companies struggle to compete outside our borders.

But two companies in particular have been making a big impact on the world stage. And each of them would make enticing additions to your portfolio.

1. Gildan Activewear Inc. (TSX: GIL)(NYSE: GIL)

The last five years have been very exciting for Gildan Activewear Inc. and its shareholders. To illustrate, the company's revenues are up more than 100% since 2009. And its net income is up more than than 250%. So to no one's surprise, the shares have done exceptionally well, having tripled since the beginning of 2012.

And there may be more to come. The company best known for making T-shirts has numerous growth opportunities ahead of it. One is the growth of its Printwear division, part of which will come from international expansion. Just last year, 90% of sales came in the United States, a big number for a company with over $2 billion in revenue.

Other opportunities include continued development of consumer brands, such as Gildan Platinum, Smart Basics, and Gold Toe. Even better, the company has an opportunity to further improve margins. Through capacity enhancements and plant upgrades, Gildan hopes to achieve $100 million in cost savings from 2015 to 2017. That's a very significant number for Gildan, which made $320 million in income last fiscal year.

The only problem is its share price — at 20 times earnings, the company is definitely on the expensive side. But if it continues to execute, the shares are likely worth buying anyways.

2. Saputo Inc. (TSX: SAP)

The past few years have also been kind to dairy processor Saputo Inc. In the last five years, the shares are up more than 150%. And like Gildan, Saputo's "runway is still very, very long," according to CEO Lino Saputo.

To understand Saputo's future, one must examine its past. Since going public in 1997, the company has grown through acquisitions, and now has roughly $10 billion in sales. Much of this expansion has come in the U.S. and Canada, but more recently it has gone into countries like Argentina and Australia.

And acquisitions remain the company's biggest opportunity. In fact, the company will consider deals of up to $4 billion. There are certainly plenty of opportunities, with the main ones being in countries like Brazil, the U.S., Australia, and New Zealand. Ideally, it is international expansion that will help offset weakness in Canada, where various headwinds (including the new EU free trade deal) are dragging down earnings.

The verdict

Both of these companies have very strong growth prospects. But you're usually better off going with companies that don't rely on acquisitions. So in this case, Gildan is the better bet.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. TSX:GIL (Gildan Activewear Inc.)
3. TSX:SAP (Saputo Inc.)

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