



3 Growth Stocks for a Low-Growth Economy

Description

It seems that both global and Canadian growth is slowing—possibly for the long term. This means that investors will need to look harder for growth in their portfolio.

The numbers speak for themselves. The Canadian economy has grown at an average of 3.2% from 1962 to 2015. Looking beyond the last two quarters (which saw negative growth), economists are estimating the Canadian economy will grow by about 2% annually going forward.

This same trend is happening globally. To find stocks with strong growth, Canadian investors will need to look for excellent companies with exposure to countries where there are still pockets of growth.

Here's why **Agrium Inc.** (TSX:AGU)(NYSE:AGU), **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) and **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) meet these criteria, and where to look for growth going forward.

Why growth is slowing, and where to find it

From 1950 to 2014 the global economy grew at a fairly impressive 3.8% annually. From 2014 to 2064, however, experts are projecting that the global economy will grow at a much slower rate of 2.1%. This is bad news for investors, since economic growth is tied to revenue growth for companies.

Why is growth slowing? The main reason is that life expectancy is increasing and population growth is slowing. This means that there are fewer working-age people to produce things.

Fortunately, there are sectors that will benefit from some of these changes to an extent. In particular, technology and healthcare stand out. Businesses will look to increase productivity to drive growth in the low-growth environment, and one of the ways to do this is to increase technology spending. CGI Group should benefit from this trend because it is one of the world's largest IT-services firms.

Healthcare should also do well, as an aging population will require more drug treatments and other medical treatments. In this regard, Valeant will benefit because it is a large pharmaceutical company that is diversified both geographically and across products. In addition, the global population will still

grow, which will require increased food consumption; this will benefit fertilizer producers like Agrium.

CGI, Agrium, and Valeant are all have strong growth profiles

These three companies not only will benefit from favourable economic trends in their sectors, but also from strong positions in their industries and excellent growth strategies.

CGI Group, for example, has a plan to double its sales within the next five to seven years. As an IT-services company focusing on consulting, outsourcing, and systems integration, CGI Group is currently the fifth-largest company of its size, and the company is growing through a strategy of consolidating the IT industry by making very large acquisitions as well as smaller acquisitions that can enhance their service offerings.

The company has an impressive \$1.3 billion of free cash flow expected for 2016, providing the company with the ability to make acquisitions with cash.

Fertilizer and agricultural retailer Agrium offers a similar growth story. The company is expecting to see its free cash flow grow from an estimated \$289 million this year (according to analysts at RBC), to nearly \$1.4 billion by 2018.

This free cash flow growth will be mirror by earnings growth, and Agrium is targeting its EBITDA (earnings before income, taxes, depreciation, and amortization) to grow from around \$2 billion this year to as high as \$2.9 billion by 2017. This growth will come from several major recent production expansions.

Finally, investors can also find growth in Canada's largest company by market capitalization, Valeant Pharmaceuticals. Valeant has been making numerous profitable acquisitions that have improved margins and exposed Valeant to more attractive drug markets.

Valeant will continue to execute on this strategy going forward, which will provide growth in addition to the 10% annual organic growth going forward that the company is already expecting.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. NYSE:GIB (CGI Group Inc.)
3. TSX:BHC (Bausch Health Companies Inc.)
4. TSX:GIB.A (CGI)

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Date

2025/07/22

Date Created

2015/09/08

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