2 Growth Stocks to Boost Your Portfolio

Description

Growth stocks can spice up the growth of your portfolio. My definition of a growth stock is a company that is estimated to grow its earnings per share (EPS) at a rate that's higher than 10% in the near future. The companies discussed in this article are estimated to grow EPS at 15%.

Because they have declined with the market dip, **Linamar Corporation** (TSX:LNR) and **Gildan Activewear Inc.** (TSX:GIL)(NYSE:GIL) are priced at cheap valuations compared to their growth potential.

Linamar Corporation

Linamar was founded in 1966 and is headquartered in Guelph, Ontario. The company is among the top 100 automotive suppliers and takes the 33rd place in North America and 65th place globally. Linamar has operations in North America, Europe, and Asia, and it has plans to expand into China, Brazil and India. So there's plenty of growth left in Linamar.

Linamar's operating segments include the Powertrain/Driveline segment and the Industrial segment, which is divided into four operating groups: Machine and Assembly, Light Metal Casting, Forging, and Skyjack.

Linamar has over 19,500 employees across 14 countries. It has 48 manufacturing facilities, five research and development centres, and 15 sales offices. In 2014 it generated sales of $4.2 billion, while its market cap is only $3.54 billion.

Linamar has fallen 37% from its 52-week high. At $54, its multiple is only 8.3, while its EPS could grow at a rate of 15% in the foreseeable future. In fact, from 2011 to 2014 its EPS increased at a compound annual growth rate (CAGR) of 44% and grew from 19% to 49% per year. In the same period its revenue increased at a CAGR of 13.4% and grew from 11.5% to 16% per year.

Most recently, in the nine months that ended in September, Linamar's sales grew 23.7% compared with the same period in 2014. Its net EPS also increased by 36.5%.

Gildan Activewear

Gildan is a manufacturer and supplier of basic apparel. Its products include T-shirts, fleece, socks, and underwear. Its umbrella of brands includes Gildan, Anvil, Gold Toe, Comfort Colors, Silks, Secret, Kushyfoot, and Therapy Plus. Additionally, it distributes licensed brands such as New Balance, Under Armour, and Mossy Oak.

Gildan distributes its products in printwear markets in North America, Europe, Asia-Pacific, and Latin America. Because it is vertically integrated, Gildan owns and operates large-scale manufacturing facilities primarily situated in Central America and the Caribbean Basin to replenish customer needs in the printwear and retail markets.

Gildan has fallen 20% from its 52-week high. At $34.50, it's priced at 13.5 times its estimated 2016 EPS, while its EPS could grow at a rate of 15% in the foreseeable future. From 2011 to 2015 its EPS increased at a CAGR of 18.2%. In the same period its revenue increased at a CAGR of 8.7%.

Most recently, in November Gildan was less optimistic about its sales growth. It projected sales growth in printwear to be close to 10% compared with its previous projection that was in excess of 10%, while branded apparel sales growth is expected to be about 12% compared with the previous projection of about 15%.

Conclusion

Linamar is cheap for a company growing at a double-digit rate with a multiple of 8.3. It's discounted by about 36%. On the other hand, Gildan is not expensive either and could easily trade in the $40s range again within the next year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. TSX:GIL (Gildan Activewear Inc.)
3. TSX:LNR (Linamar Corporation)

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Date
2025/08/25
Date Created
2016/02/03
Author
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