3 Quality Growth Stocks to Watch for in the Coming Months

Description

High-growth stocks can do wonders for your portfolio if you have a long-term investment horizon. Three companies, including **Hormel Foods Corp.** (NYSE:HRL), **Nike Inc.** (NYSE:NKE), and **Alimentation Couche-Tard Inc.** (TSX:ATD.B) pay a tiny dividend of less than 2%, but they also provide exceptional capital appreciation.

Hormel Foods was founded in 1891, and today it manufactures and markets food and meat products, primarily selling in the U.S. Some of its most popular brands include Spam and Jennie-O-Turkey.

Nike designs, develops, and sells athletic footwear, apparel, equipment, and accessories. Its products can be found in 170 countries.

Couche-Tard is known for its ability to run its chain of convenience stores and to integrate new ones. At the end of January, it had more than 7,900 convenience stores in North America. It also operated over 2,200 stores in Europe and had 1,500 stores run by independent operators in other countries or regions in the rest of the world.

Exceptional gains with a rapidly growing dividend

Just buying these companies *five years ago* would have provided extraordinary price appreciation.

Hormel has appreciated 146% and has hiked its dividend by 127%. And its payout ratio is only about 37%. Its payout ratio has ranged from 27% to 38% in the past decade. So, its payout ratio sits at the high end.

Nike has risen 173% and has hiked its dividend by 105%. Its payout ratio is only about 30%. Its payout ratio has ranged from 25% to 31% in the past decade. So, its payout ratio sits at the high end.

Couche-Tard has experienced a whopping gain of 530% and has increased its dividend by 229%! Its payout ratio is only about 9%. Its payout ratio has ranged from 8% to 15% in the past decade.

Let’s compare the above performance with a high-yield dividend-growth company such as **TransCanada Corporation**

(TSX:TRP)(NYSE:TRP). I don't intend to single it out; I'm just using it as an example here. In the past five years, TransCanada has appreciated almost 28% and has hiked its dividend by 35%.

Now, the high-growth companies and high-yield companies like TransCanada play a different role in a portfolio. Investors are either trading yield for high growth or trading growth for high yield.

The good thing is that investors don't necessarily have to choose between income and growth. They can buy all of the above companies when they are priced at proper valuations.

Are good buying opportunities coming up?

The high-growth companies have corrected somewhat. Year to date, Hormel and Nike have declined almost 12%, and Couche-Tard has declined almost 10%.

These corrections might go on for a while, but that's when investors should buy on dips for exceptional capital appreciation in the long term.

Some investors who like to average into their positions may even be willing to take a small bite out of these companies based on their inexpensive valuations today. After all, a bird in the hand is worth two in the bush.

At about $35, Hormel trades at a multiple of 23.3, and its earnings per share (EPS) are expected to grow about 14% in the medium term.

At about $55, Nike trades at a multiple of over 25, and its EPS are expected to grow 15% in the medium term.

At under $56, Couche-Tard trades at a multiple of 20.3, and its EPS are expected to grow about 13% per year in the medium term.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:HRL (Hormel Foods Corporation)
2. NYSE:NKE (NIKE Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:TRP (TC Energy Corporation)

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Date
2025/08/24
Date Created
2016/06/10
Author
kayng