2 Amazing Growth Stocks to Watch

Description

ZCL Composite Inc. (TSX:ZCL) manufactures and distributes fiberglass liquid storage systems. Its core business provides underground storage tanks that store gasoline and diesel fuel for North American retail outlets.

The revenue from its core business has grown at a compound annual growth rate of 13% over the last five years and now represents 75-80% of its revenue.

This has helped ZCL deliver amazing returns for shareholders. Since 2012, its shares have appreciated nearly 400%. In the same period, its regular dividend appreciated 1,100%, and it paid a special dividend in each of 2016 and 2017! In aggregate, it has delivered an annualized rate of return of 37.1% since 2012!

ZCL gets more impressive than that. While it has grown its profits and dividend, it has also generated excess cash to pay down its debt. So, it has a debt-free balance sheet.

When should you consider ZCL?

The market has bid up ZCL's price already. In the last year alone, the company's shares have appreciated 82%. At $14.70 per share, they now trade at a multiple of 21.

Going forward, management expects ZCL's revenues, earnings, and dividends to grow 10% per year. So, it'll be better to put the company on watch for now. If its shares pull back to a multiple of 18, or roughly $12 per share, it will be a more reasonable buy.

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exponential growth

Alimentation Couche Tard Inc. (TSX:ATD.B) has been a consolidator and operator of convenience stores with a total store count of more than 12,500.

In North America, across 41 states in the U.S. and 10 provinces in Canada, it has more than 8,000 stores, of which about 83% offer road-transportation fuel.

In Europe, Couche Tard is a leading convenience store and road-transportation fuel retailer in Scandinavia, Ireland, and the Baltic countries with a significant presence in Poland and Russia. It has about 2,766 stores there.

In 13 other countries and territories elsewhere in the world, including in China, Egypt, and Honduras, Couche Tard has almost 1,700 licensed stores operated by independent operators under the Circle K banner.

While Couche Tard’s shares have mostly traded sideways since late 2015, they have actually appreciated 475% since 2012. Simultaneously, the company has increased its dividend by 260% while maintaining a payout ratio of about 10%. In aggregate, it has delivered an annualized rate of return of 39.8% since 2012!

When should you buy Couche Tard?

There is lots going on at Couche Tard. Its efforts of converting all of its stores to the Circle K brand (except for the ones in Quebec), integrating its recent acquisitions, and working on closing its acquisition of **CST Brands** by late this year should lead to better performance in the years ahead.

At about $61 per share, Couche Tard trades at a reasonable multiple of 21.2 with an estimated compound annual growth rate of at least 12.7%.

Investors can put the outstanding growth company on watch and buy when it breaks above the $62 level sustainably or when it dips lower to more attractive valuations.

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