3 Canadian Growth Stocks Which Follow Principles of Warren Buffett

Description

As a value investor, like Warren Buffett, it can be difficult to evaluate high-flying growth stocks. In most cases, the valuations are out of this world; however, sometimes such sky-high valuations may be well worth the price of admission, especially if you've got the patience to hold the stock over the long run to give the business a chance to surge along its growth runway.

While growth stocks are seen as "riskier" than value stocks, I believe every portfolio should have at least a few growth names, even if you're not a young investor. A few growth stocks in your portfolio can really make a difference to long-term returns if you know how to spot businesses with real long-term, durable competitive advantages.

The three Canadian growth stocks recommended in this article closely follow several investing principles of Warren Buffett. Each business has a durable competitive advantage, a sound management team, and a means to increase earnings by a substantial amount over the next decade.

Sure, Buffett is a value investor at heart; however, I believe his principles can be applied to growth stocks as well.

Here are the stocks:

Spin Master Corp. (TSX:TOY)

Spin Master is one of the quickest-rising stars to emerge from the TSX. The company's durable competitive advantage lies in its ability to consistently produce innovative new toys that are hot commodities all year round.

While most toy companies are susceptible to the effects of seasonality, Spin Master has been able to clock in strong sales year-round compared to its larger American counterparts. Why is that? It's because of the incredible little innovations that intrigue children and adults alike.

The management team has a terrific vision and has been known to be overly humble when it comes to forecasts. As the company ramps up its international distribution plan, I expect numbers to continue to be off the charts.

Alimentation Couche Tard Inc. (TSX:ATD.B)

Couche Tard is a convenience store consolidator with a disciplined management team that's incredibly value conscious. Unless the price of a potential acquisition target is dirt cheap or there are significant synergy opportunities, Couche Tard won't be in a hurry to pull the trigger on a deal.

In addition, the global convenience store industry is still extremely fragmented and will continue to be for the next decade. That means there are ample acquisition opportunities that exist. Over time, Couche Tard will make smart deals without taking on an overwhelming amount of debt for a given period of time.

Shares of ATD.B trade at a 21.6 price-to-earnings multiple, which is a small price to pay for such an earnings-growth superstar.

Aurora Cannabis Inc. (TSX:ACB)

Cannabis stocks are extremely volatile and somewhat speculative; however, for those who have the risk tolerance, there are massive rewards to be had for those who have the stomach and the discipline to ride the roller coaster.

Aurora Cannabis is one of the more efficient cannabis producers out there. Management is always striving for ways to drive down the cost per gram of dried marijuana, which will likely pay off big time in the early stages of legalization.

The Aurora Sky greenhouse, which is slated to finish next year, is expected to be one of the most efficient cannabis production facilities in the world.

Although there's a huge amount of upside with cannabis producers, there's also a great deal of risk, so make sure you're prepared for potential short-term pain for long-term gain.

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