5 High-Growth Stocks to Build Your Portfolio Around

Description

Dividend stocks offer a nice way to collect income with some regularity, but these aren't the investments that are going to yield you strong long-term returns. Instead, it's important to look at stocks that have strong growth in both their top and bottom lines, since this will ultimately push the stock price up over time.

It may be tempting to look just at sales, but profit growth may even be more important since that ensures that the company's growing sales are making it to the bottom line. The tricky part is how to put a value on growth stocks and how to determine if the shares are overvalued or not.

Using a price-to-earnings ratio to evaluate a stock is often not helpful when looking at growth stocks, because companies that have high growth will often trade at higher multiples. One way around this is to use the PEG ratio, which divides price to earnings by the company's profit growth.

A PEG ratio of less than one indicates that the stock is a good value for its level of growth. I have a list of five stocks below that meet these criteria and that could be great buys today.

Linamar Corporation (TSX:LNR) is involved in the manufacturing of engineered products, including for the automobile industry, and the company has seen strong growth over the years.

In three years, Linamar has seen its earnings per share (EPS) grow 125%, for a compounded annual growth rate (CAGR) of 31%. With a price-to-earnings rate of eight, Linamar's PEG ratio of just 0.26 indicates a great value for the amount of growth the company has achieved over the past three years.

Magna International Inc. (TSX:MG)(NYSE:MGA) is an automotive supplier, and its stock trades at 12 times its earnings. In three years, Magna has seen EPS grow by 44% for a CAGR of 12.9%. The company's PEG ratio of 0.94 is higher than Linamar's, but it still suggests a good value.

Magna is a great long-term investment, not only for the growth it has achieved already, but for the bright future it has ahead, especially as automation in the auto industry and self-driving technologies continue to evolve.

Air Canada (TSX:AC)(TSX:AC.B) has seen its stock soar to new highs this year, and with a price-to-earnings ratio of less than eight, it's a great value buy for a company that has been posting records. At nearly breakeven just three years ago, the airline's EPS has grown more than 180 times that amount, resulting in a PEG ratio of just 0.02. However, it's unlikely that Air Canada can keep going at that pace.

MTY Food Group Inc. (TSX:MTY) operates quick-serve restaurants, and the stock trades at a price-to-earnings ratio just shy of 18. In three years, its EPS has more than doubled for a CAGR of 28%, resulting in a PEG ratio of just 0.64. The company has primarily been growing via acquisition, and if that continues then there's no reason to see MTY's growth slow down anytime soon.

Imvescor Restaurant Group Inc. (TSX:IRG) is the second restaurant stock to make the list. Its stock currently trades at a price-to-earnings ratio of 21, and in three years EPS for Imvescor has increased 150% for a CAGR of 36%. This puts the company's PEG ratio at just 0.58.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:AC (Air Canada)
3. TSX:LNR (Linamar Corporation)
4. TSX:MG (Magna International Inc.)
5. TSX:MTY (MTY Food Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/19
Date Created
2017/11/18
Author
djagielski