



2 Canadian Growth Stocks Every Investor Should Consider Buying Right Now

Description

Investing in growth stocks is a great way to build your wealth. But the biggest challenge many retail investors face is picking the right ones that still have more room to grow.

In Canada, 2017 has been a great year for investors who've identified the right opportunities and stuck to their plans. For next year, I have picked **Air Canada** ([TSX:AC](#))(TSX:AC.B) and **Dollarama Inc.** ([TSX:DOL](#)) in the growth category due to their excellent management and the momentum which, I think, will continue as we enter 2018. Let's see if these stocks are a good fit for your portfolio.

Air Canada

Air Canada stock is about to wrap up a stunning year. Surging about 85% on the Toronto Stock Exchange, it left many analysts surprised, as the carrier achieved many of its growth targets set in its [turnaround plan](#).

Canadian economic strength, lower fuel prices, and a record number of passengers were the top factors that helped the company produce profits which beat analysts' forecast and fueled gains in the share price.

Part of Air Canada's turnaround plans include increasing its margins between 17% and 20% and projected free cash flow of up to \$3 billion by the end of 2020.

Air Canada estimates it will add between \$2 and \$2.5 billion in value once it launches its own loyalty program after it decided to end its partnership with Aeroplan.

The company's third-quarter earnings showed that the airline is well on track to achieve these ambitious goals, as its strategy to become a global carrier seems to be paying off. During the period, the airline's profit more than doubled to \$1.79 billion, or \$6.44 per share.

Since reaching the 10-year high of \$28.70 in early October, Air Canada's shares have given up ~11% of the gains. This dip provides a great entry point for new investors as I see more upside potential going forward.

Some investors have concerns about rising oil prices, which should increase the cost of jet fuel for Air Canada. But I'm not an oil bull, and I think oil prices are not going to touch the 2014 level in the current demand-supply dynamics.

Dollarama

[Dollarama](#), Canada's largest owner and operator of dollar stores, had a very different year when you compare it with other Canadian retailers, which are either struggling or weighing their options.

During the past five years, Dollarama's share price has gained four-fold, producing capital growth, which is a retailer's dream in Canada, where many retailers closed due to a very tough operating environment.

The main reason of Dollarama's success has been that this discount chain targeted the Canadian middle class, which is very price conscious. Its explosive growth in big cities, expanding product lines, and that it's quietly pushing out more items that are priced at more than one dollar are some other factors which made this brand a Canadian retail success.

Trading at \$154.9 a share, and with the trailing 12-month P/E ratio of 35.5, Dollarama's valuations look a bit stretched after this remarkable rally.

But Dollarama has a reputation of beating expectations. Its earnings have surprised almost every year since its initial public offering in October 2009. And I don't think it's going to be a different story in 2018.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:DOL (Dollarama Inc.)

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