The Top 3 Growth Stocks to Hold Through 2018

Description

Every year there are at least a few hidden gems that emerge as the next “it” growth stocks that reward investors handsomely along the way. Although some of those names pay off in the end, investors need to remember that in most cases they fizzle, and the fire never quite materializes.

Enter **Dollarama Inc.** (TSX:DOL), which, at a price of $155 per share, has been one of Canada’s best growth stories over the past decade. In spite of coming to market during the very challenging times of 2009, the share price has returned more than 430% since its debut less than a decade ago. The reason that investors need to take a look at this name for 2018 is due to the incredible potential the company still carries as additional locations continue to pop up, and the company continues to expand its top and bottom lines along the way.

Over the first three quarters of fiscal 2017, the company has taken in revenues of $2,376 billion and turned in bottom-line profits of $356.58 million, which accounts for 15% of revenues.

For a discount retailer, a net profit margin of 15% is absolutely fantastic!

As Dollarama has been opening new locations (and plans to open many more until 2020), the expectation is that revenues will continue to trend upwards for at least five additional years. At the current rate, 2018 revenues could be as high as $3,342 million, which could equate to as much as $500 million in net profit. Given the share buyback, which has been conducted over the past few quarters, the earning per share could just hit as much as $4.80 per share, translating to a forward price-to-earnings ratio of 32 times for a company growing at more than five times the rate of inflation. Sometimes good things become great things!

The second growth story of 2018 could just be the continuation of 2017’s headline: marijuana stocks go higher again.

After an exciting year that saw many millionaires emerge, the marijuana industry has yet to fully spread its wings. While there have been initial public offerings for many growers, those who deliver accessories or operate the distribution system have yet to become available to investors. The result of this is that we have to remain content with names such as **Canopy Growth Corp.** (TSX:WEED) and **Aphria Inc.**

(TSX:APH) as core investments in the sector.

For investors too afraid to take the plunge into the more aggressive growth stocks, the truth is that the sector may not be as risky as they believe. As long as only a small amount of one's portfolio remains allocated to the growth segment of the market, the end result could actually be less volatility and potentially higher returns. The same is true when comparing bonds and stocks. Although many low-risk investors believe that they are taking less risk in holding fixed-income only, the truth is that stocks will offset the declines in fixed income should rates increase.

Diversification can sometimes work miracles.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:WEED (Canopy Growth)

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