Beat the Market With These Top Growth Stocks

Description

There hasn't been much growth to be had in Canadian stocks over the past number of years. In fact, the TSX has lost almost a full percentage point over the past three years. The index has significantly underperformed the U.S. and world markets over the same period. Although conventional wisdom states that the index will outperform stock pickers, this is certainly not the case for the TSX. Investors would have done far better selecting high-quality companies with exciting growth prospects. Here are two top growth stocks that are expected to beat the market.

Intact Financial Corporation (TSX:IFC) is Canada's largest property and casualty (P&C) insurance company. Since reaching an all-time high of $109.33 in early November, the company has since retreated by approximately 12%. In 2017, the company grew earnings by an impressive 44% on the back of lower catastrophe losses and by writing more profitable policies. Of note, the company's earnings can vary widely from quarter to quarter depending on the level of catastrophes that have occurred throughout the year.

The company recently completed its $1.7 billion acquisition of OneBeacon, a U.S.-based insurance holding company. It marks the company's first foray into the U.S. market and is a great fit for the company. Despite the large acquisition, the company's debt-to-capital ratio is still below the industry average, and it is on solid financial footing. On the back of its expansion, the company is expected to grow earnings at a compound annual growth rate of approximately 18% through 2019.

The company's price/earnings-to-growth (PEG) rate is 0.93. A PEG under one signifies that the company's share price is not keeping up with its expected growth rate and is considered undervalued. If that isn't enough, the company is also a Canadian dividend aristocrat. It has raised dividends for 13 consecutive years at a double-digit pace.

WestJet Airlines Ltd. (TSX:WJA) is one of Canada's largest airlines that serves over 100 destinations across North America, Central America, the Caribbean, and Europe. The company grew revenues by 9% in 2017 and increased its load factor to 83.6% from 81.8% in the year prior. Likewise, its active reward members and credit card holders grew 18% and 34%, respectively.

There are two recent initiatives that should be of interest to investors. First, the company plans to launch its no-frills, low-cost airline later this year. “Swoop” is expected to offer fares at a 40% discount to its regular flights. It is also considered Canada’s first true ultra-low-cost carrier (ULCC). Swoop’s initial network will focus on the domestic market and serve Abbottsford,Edmonton, Halifax, Hamilton, and Winnipeg.

Second, WestJet has expanded its relationship with **Delta Air Lines Inc.** (NYSE:DAL). It is entering a trans-border joint venture to increase travel choices for WestJet and Delta customers flying between the U.S. and Canada. The two carriers are expected to coordinate flight schedules and offer non-stop flights to new destinations. Under the terms of the new deal, frequent-flyer perks are expected to be enhanced, including reciprocal benefits for top-tier members of their respective reward programs. The company is currently trading at a very cheap forward P/E of 7.87, and its earnings in 2019 are expected to jump by 27%.

Thanks to the recent market downtrend, investors have an opportunity to acquire these two quality companies at great prices.

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1. NYSE:DAL (Delta Air Lines, Inc.)
2. TSX:IFC (Intact Financial Corporation)

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