2 Stocks That Have Been Soaring in the Past 3 Months

Description

Investing in growth stocks is a great way to build your portfolio over the long term. While dividends are nice, a company is more likely to grow its business if it reinvests in itself and doesn't have to worry about maintaining or growing a dividend. That's why it's not a coincidence that many of the top tech companies around the world don't offer payouts to their shareholders. After all, a rising stock price could more than make up for a lack of a dividend.

The two stocks below have excellent opportunities for growth in the years to come and, in just the past three months, have generated significant returns for investors.

Constellation Software Inc. (TSX:CSU) saw its stock gain a lot of momentum after it released its quarterly results back in April. The company showed strong sales growth of 29% from a year ago, and its bottom line more than doubled. As a result, its share price has been on the rise recently and has increased 20% over the last three months, and year-to-date returns are even higher at 35%.

The stock recently reached $1,000 and is one of the pricier stocks that you can find on the TSX. Although it has high per-share earnings in the double digits, its stock trades at more than 80 times its profits and 26 times its book value, requiring new investors to pay a big premium to own a piece of the company.

A lot of Constellation's growth has come via acquisition, and over the trailing 12 months the company has accumulated nearly $600 million in free cash flow, which will help to facilitate future growth. Over the past four years, Constellation's sales have more than doubled, and so too have its earnings.

The company has averaged a solid 8.6% profit margin over the past five years, as managing all its acquisitions and the moving parts involved has not slowed Constellation's profit growth, which is a great sign for investors. The stock is proving to be a great buy this year, and it's not showing any signs of slowing down.

Great Canadian Gaming Corp. (TSX:GC) is a gambling stock that you don't have to take a big risk on. Although the company is known for its casinos, it also generates revenues from racetracks and even operates hotels and theatres as well. The stock got a big boost last year when, in partnership with another company, it won a bid to operate three key casinos in the Toronto area, which will only help to accelerate the company's strong growth.

The share price took off again in May, as the company's first-quarter results showed a strong 62% rise in sales, while profits were also up by a similar amount. The strong showing sent the stock to up over $50 and it has grown nearly 60% in just the past three months.

While the stock isn't as expensive as Constellation's, at a price-to-earnings ratio of 35 and more than six times book value, investors are still paying a premium to own Great Canadian. However, given its strong growth prospects, it could be well worth it.

CATEGORY

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Date
2025/08/28
Date Created
2018/06/05
Author
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