2 Low-Risk Canadian Stocks for 1st-Time Growth Investors

Description

Growth investing may seem like the reserve of day traders, momentum investors, or the super-rich, but the fact is that anybody can invest in a company for capital gains. While doing so requires a certain time commitment and some appetite for risk, there are definitely opportunities for investors who want to branch out from their hold-forever dividend stocks and try something a bit more exciting.

Here are two Canadian stocks currently trading at reasonable prices and that have a decent amount of growth in terms of expected future earnings. There are other ways of growth investing, but the following top picks from the best of the TSX index offer investors a fairly low-risk entry into capital gains investment.

Nutrien (TSX:NTR)(NYSE:NTR)

A stock not unlike materials favourite **Methanex**, Nutrien has cornered its market and looks set for life — your investment life, that is. As a potash miner and producer of crop nutrients, Nutrien is your go-to Canadian stock if you're interested in sustainable food production.

With a share price that's been climbing pretty steadily since spring, Nutrien today is overvalued almost double its future cash flow value. While its P/E is extraordinarily high at 65 times earnings, its other market multiples are mixed: a PEG of 2.9 times growth isn't what you'd call good value, though a P/B of 1.5 times book is encouraging.

Nutrien's 22.4% expected annual growth in earnings makes this a good stock for first-time growth investment. A dividend yield of 2.82% isn't bad and will help ease dividend investors into a new way of buying stocks. Combine these two features, and you have a good-quality stock that is well placed in a strongly defensive industry.

Nutrien's return on equity of only 3% last year may be indicative of changes within the company (it is newly formed, after all), though an expected rise to only 9.5% over the next three years may suggest that a low ROE may be something to get used to here.

Other things you may want to know: a summer-long upward trending price may make Nutrien one for momentum investors, especially if this curve extends. Debt compared to net worth stands at 50.9%, which is certainly not the worst on the TSX index by any means, though it's over the significant threshold of 40%.

SNC-Lavalin Group (TSX:SNC)

Growth investors are not always concerned with value, but if you can combine both, then why not? This popular stock is overvalued by about 10% of its future cash flow value, but don't let that put you off. A P/E of 29.1 times earnings is a fairly normal thing to see in a growth stock and is not necessarily bad news.

Compare and contrast the market fundamentals with that slight overvaluation and you can see that you're not getting a bad deal here: a good PEG ratio of 0.9 times growth and acceptable P/B of 1.8 times book is confirmation of a valuation that's not far off market weight.

A 34% expected annual growth in earnings is what we've come here for, though a dividend yield of 2.19% offers a sweetener for traditional passive-income investors. A low return on equity of 6% last year combined with a debt level of 69% of net worth gives some pause for thought, but neither percentage shakes the fact that this is a high-quality stock to buy for high growth.

SNC-Lavalin Group has a solid track record, like the best infrastructure-related stocks (think **Canadian National Railway**); looking at how stocks have performed in the past is key to assessing their expectations for the future. SNC-Lavalin Group's best features are its geographical spread of operations combined with its very strong presence in the construction industry.

The bottom line

Food is about as defensive as it gets when it comes to commodities, so look for baseline producers such as miners like Nutrien. Meanwhile, top-down investment in infrastructure is key to a robust economy, so expect to see government budgeting earmark funds for maintenance — and hence stocks like SNC-Lavalin Group come into play. Stay invested in dividend stocks, but try growth investing if you don't mind a bit of risk.

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Date
2025/08/21
Date Created
2018/09/04
Author
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