2 Remarkable Growth Stocks That Are Highly Profitable

Description

Your search for profitable growth ends here. Here are two companies that have many years of growth ahead of them.

Spin Master Corp. (TSX:TOY) is an innovative children's entertainment company and toy maker with global operations. It has a diversified portfolio of toys, games, products, brands, and entertainment properties.

Spin Master recognizes that children's play patterns have been evolving. As a result, it has been innovating by creating differentiated products via the use of technology, as well as strategically acquiring leading global kids mobile digital app brands, such as Toca Boca and Sago Mini, early on in 2016.

The return on equity (ROE) is a measure of a company's profitability. Specifically, it measures how well a company invests to generate earnings growth. So, generally speaking, the higher the ROE, the better.

Spin Master's ROE has been off the charts! Its ROE has been at least 36% since 2015, while the general market's sit at about 14%. Its return on assets (ROA) has also been outstanding, and its ROA has increased from about 12% in 2015 to about 20% recently, while the general market's is about 4%.

Combined with the cheap valuation the stock was trading at a few years' ago, Spin Master stock has delivered annualized returns of about 40% since its initial public offering in 2015.

Spin Master will continue to expand internationally, innovate across its portfolio, develop evergreen global entertainment properties, and make strategic acquisitions.

Analysts think positively of Spin Master. The analyst consensus from **Thomson Reuters** has a 12-month target of US$49 per share on the stock, which represents about 24% upside potential based on a forex of US$1 to CAD$1.30.

Biosyent (TSXV:RX) only has a market cap of about $140 million. However, the small-cap company is not a risky investment at all. Its risk is greatly diminished because the specialty pharmaceutical company only acquires or in-licenses innovative pharmaceutical products that are proven safe and effective.

Earlier this month, or the sixth consecutive year, Biosyent was named one of Canada's fastest-growing companies, based on five-year revenue growth.

Not only is Biosyent growing at an extraordinary pace, but it has also been very profitable while doing so. Its ROE has been more than 24% since 2011, and its ROA has been amazing as well — it was at least 22% every year since 2011.

The analyst consensus from Reuters has a 12-month target of 11.70 per share on the stock, which represents 20% near-term upside potential.

Investor takeaway

Both Spin Master and Biosyent have clean balance sheets. Neither of them has any long-term debt. They are quality companies you can count on for profitable growth. Investors should consider buying some shares now and certainly on meaningful dips.

CATEGORY

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1. TSX:TOY (Spin Master)
2. TSXV:RX (BioSyent)

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Date
2025/08/22
Date Created
2018/09/27
Author
kayng