Don’t Miss Out on These 3 Temporarily Beaten-Up Growth Superstars

Description

It hasn’t been a good month for the **TSX Composite Index**, with the overall average falling some 4%. Yes, we are up from the lows set last week, but only barely.

One of the nice things about stock market sell-offs is investors get to pick up bargain-priced stocks that are on sale. Growth stocks are more likely to be cheap in such an environment because investors will shed them and go to safer alternatives. This becomes a great time for long-term investors to start buying or adding to current positions.

Here are three great growth stocks that are momentarily beaten down. Will you miss their next move higher?

Dollarama (TSX:DOL)

Dollarama shocked the market back in September when it announced earnings that weren’t quite up to expectations. Shares plunged 20% on the news and have quietly fallen almost 10% more. They currently trade hands at just over $39 each — levels not seen since July 2017.

Upon further inspection, it’s pretty obvious the market overreacted to Dollarama’s latest quarterly results. The main culprit was the company’s same-store sales growth. It posted growth in stores open at least a year of 2.5%, versus the market’s expectations of +5%. Investors panicked and went for the exits.

This hardly means Dollarama’s growth is finished. The company still has long-term potential to increase its store count in Canada by at least 50%. It also has opportunities to expand abroad. It has virtually zero online sales, too, and management has announced a plan that will at least give it a presence online. And there’s always potential to add $5 items to the mix.

I would not be surprised to see the company continues to grow its bottom line by 20% a year for the next three to five years, minimum.

Richelieu Hardware (TSX:RCH)

Richelieu has quietly become one of Canada's better growth stocks as it consolidates an incredibly fragmented industry. The company is buying out individual hardware suppliers and bringing them under one roof. It gains synergies by having more to offer and customers get to deal with fewer suppliers. Everyone wins, including investors.

Since 2011, Richelieu has almost doubled the size of its business, with revenues increasing from $526 million to nearly $1 billion. Earnings have increased from $40 million to $69 million, and persistent share buybacks have further goosed earnings per share.

Richelieu shares have struggled lately, falling some 11% in the last month to close to a 52-week low. The last time shares struggled this much was back in 2011. A year later, they were up close to 50%.

Premium Brands (TSX:PBH)

Premium Brands owns a wide range of food-processing companies and distributors, with an emphasis on meat and deli products. Canadians likely recognize some of its brands, like Grimms, Harvest, Hempler's, and Piller's.

Premium Brands's growth has been remarkable. Back in 2004, the company had some $200 million in sales and $15 million in EBITDA. These days, the business does $2.3 billion in revenue and $195 million worth of EBITDA. The share price has increased from $9.75 to a high of $121. Thanks to the recent sell-off, shares now trade hands at $88 each.

Management has done a nice job growing the company into the United States. Some 30% of revenues come from south of the border, thanks to various acquisitions over the years. This trend will likely continue, since the U.S. food service market is still incredibly fragmented. For instance, Premium Brands recently acquired Seattle-based Oberto, a maker of meat snacks.

The bottom line

Dollarama, Richelieu, and Premium Brands are trading significantly under 52-week highs — something that doesn't happen very often. This could be a fantastic entry point for long-term investors looking for a decade-long hold.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:PBH (Premium Brands Holdings Corporation)

3. TSX:RCH (Richelieu Hardware Ltd.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/11
Date Created
2018/10/18
Author
nelsonpsmith