2 Superb Growth Stocks: 1 to Watch and 1 to Buy

Description

Growth stocks can help boost the total returns of your portfolio. Investors should expect most, if not all, the returns of such stocks to come from price appreciation. Here are two superb growth stocks that have excellent management who has generated tremendous shareholder value.

Spin Master (TSX:TOY) is a children's entertainment company. A big part of its business is to create innovative toys that children love. Year to date, the stock has declined about 15% and is reasonably valued at about $46 per share, which represents a 2018 estimated price-to-earnings multiple of about 19.3, while the analyst consensus from **Thomson Reuters** forecasts earnings-per-share growth of about 8.6% per year for the next three to five years.

Despite the meaningful dip, the growth stock has more than doubled in about three years, which translated to deliver about 28% per year. The strong returns are thanks to management's excellent capital allocating skills, including making strategic acquisitions and developing toys that are popular that have led to amazing returns.

Specifically, in the past two years, Spin Master's returns on invested capital were about 30%. Moreover, its returns on assets were also very respectable at about 18%.

Spin Master will be reporting its quarterly earnings tomorrow, at which time the stock could be more volatile than usual. The stock hasn't shown any signs of turning around yet. So, interested investors should keep it on watch. If the stock falls to the low $40s, it would be an excellent place to start accumulating shares.

That said, the holiday season is coming up soon, and Spin Master's *HatchiBabies* are on the top holiday lists! Historically, the stock tends to be strong in November, but no one has the crystal ball to see whether it'll play out this year.

OpenText (TSX:OTEX)(NASDAQ:OTEX) is a better-valued proven growth stock. In about 13 years, an investment in OpenText turned into more than a nine-bagger!

With data that's going to continue increasing at a rapid pace, OpenText's enterprise data management products and services will only be more essential to businesses. OpenText has security, connectivity, automation, analytics, artificial intelligence, cloud, and more in mind when developing and integrating its product offerings. The company's M&A strategy has been a key contributor to its success. Going forward, how well OpenText continues to make and integrate acquisitions will affect its performance.

Notably, the tech company has a diversified customer base from around the world and across nine industries, such as financial, services, consumer goods, and technology. At about $43 per share, the tech company trades at a PEG ratio of close to one, which makes the awesome growth stock quite cheap.

Investor takeaway

Both Spin Master and OpenText are superb growth stocks that have been shareholder friendly. They should continue growing and delivering excellent long-term returns. Between the two, OpenText is better valued, which makes it a stronger buy today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)
3. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Date
2025/07/26
Date Created
2018/11/06
Author
kayng