Is This Growth Stock Perfect for Your 2019 Portfolio?

Description

It's easy to get caught up looking at the big companies listed on the stock exchange. While large, liquid dividend growers like the big Canadian banks, utilities, and telecoms should occupy a significant portion of your portfolio, it can be fun to take a swing at some smaller, potentially faster-growing companies as well.

Besides the possibility of faster growth and potentially higher returns, there are other reasons to invest in smaller companies as well. The large-cap stock portion of the Canadian stock market, for example, is heavily overloaded in financials, oil stocks, and resource companies. As such, it can be difficult to diversify into other sectors. Canada's smaller companies provided a way to expand your holdings.

One company that has performed well is **ATS Automation Tooling Systems** (TSX:ATA). ATS is not terribly small, either, at a market capitalization of $1.6 billion. The company is involved in providing automation solutions to companies operating in a variety of industries. Essentially, this means that ATS provides systems such as high-tech conveyor belts, pressing machines, drilling mechanisms, and much more to make production more efficient and automated.

ATS has a great balance sheet, with enough cash to pay down all of its short- and long-term debt if it wanted to do so. The company reported an increase in revenues in its second-quarter 2019 report of 3%, although the company did attribute much of the increase to favourable foreign exchange conditions. Basic earnings per share were $0.11 per share, down from $0.15 the year before.

The company does look like the future might be a little brighter, though, since the project backlog has increased 28% over the same period in 2018. Order bookings increased a similarly positive amount, up 38% from the previous year. This could lead to higher earnings in the upcoming quarters, as the increased workload begins to pay off for ATS.

There are a couple of aspects of the company that might be major turn-offs for would-be investors. The lack of a dividend may keep some people out of the name. Also, while the stock has seen a general upside movement over the past few years, it has not really demonstrated a large amount of share appreciation as compared to other growth-focused companies.

However, those factors might be attractive to some investors. The lack of a dividend allows the company to reinvest its earnings back in the business. It also makes the stock more tax-efficient for long-term holders, since it will not be taxed until the shares are sold. Even the stock price might be a reason to buy, since it follows a recent sell-off in the stock, creating what might be an attractive entry point.

All in all, ATS seems to be a promising investment if you are looking for a small Canadian company to invest in. Everything is looking positive as the company continues to perform well over the long term. Its balance sheet is strong, and future projects are already being locked in. The lack of a dividend may be a turn-off for some, but the business appears to be solid. If you are looking to a smaller-cap name that diversifies from some of the main Canadian sectors, ATS might be one to think about adding.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ATS (Ats)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Tags

1. Editor's Choice

Date
2025/07/01

Date Created
2019/01/21
Author
krisknutson