High-Growth Investors: 4 Capital Goods Stocks Set to Soar

Description

Investing in durable goods can often be an all-or-nothing scenario, dependent on strong sales in niche markets. The following three capital goods stocks have been selected for their strong market shares and mixes of defensive stats as well as indicators of quality, value, outlook in annual earnings, and overall good health.

Savaria (TSX:SIS)

With a one-year past earnings growth of 44.9% and five-year average past earnings growth of 31.5%, this market-cornering healthcare stock is looking good at the moment. However, can investors looks past its debt level of 49.6% of net worth, which just tips the balance in terms of its balance sheet, and the fact that Savaria insiders have only sold shares over the last few months?

With a P/E of 26.9 times earnings and trading at three times the book value, potential buyers have a dividend yield of 3.14% and 29.9% expected annual growth in earnings to tempt them into taking a position with this well-positioned mobility device stock.

Ballard Power Systems (TSX:BLDP)(NYSE:BLDP)

Should investors look past overvaluation based on a P/B of 5.9 times book to buy shares in Ballard Power Systems? There are no dividends on offer, though with a 0.42% gain in the last five days and trending upwards since December, investors still have the chance to reap some upside. This stock has the ability to go on a prolonged tear (see its post-July 2016 run, culminating in a suddenly precipitous November 2017 peak).

A negative one-year past earnings rate is mitigated by a five-year average growth rate of 13.3%, while a low debt level of 5.6% of net worth indicates a healthy balance sheet, and a 60.8% expected annual growth in earnings indicates a good year ahead for this popular TSX index tech stock.

DIRTT Environmental Solutions (TSX:DRT)

Up 1.2% in the last five days, DIRTT Environmental Solutions has been on a tear since the start of 2019. A high 95.2% expected annual growth in earnings is the main reason to get invested, while a low debt level of 5.9% of net worth and a positive five-year average past earnings growth of 18.1% should go some way to satisfy a risk-averse investor.

Héroux-Devtek (TSX:HRX)

A stock notable for its jagged peaks and troughs, popular aerospace stock Héroux-Devtek has been on a steep ascent since December, though how long it can last is anyone's guess. Up 1.45% in the last five days at the time of writing, more shares have been bought than sold by Héroux-Devtek insiders over the last few months, though not in substantial volumes.

Reasons to buy include a decent track record (see positive one- and five-year past earnings-growth rates of 20.2% and 16.5%, respectively), decent valuation (a so-so P/E of 29 times earnings mitigated by a market-weight P/B of 1.5 times book), and a respectable 25.3% expected annual growth in earnings.

The bottom line

With a P/B of 3.9 times book and no dividends on offer, DIRTT Environmental Solutions is a stock for capital gains investors looking for high growth. As such, it joins the other three TSX index listed here as being satisfactory choices for a growth investor looking for upside potential in possibly overlooked areas of the Canadian investment landscape.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. TSX:BLDP (Ballard Power Systems Inc.)
3. TSX:DRT (DIRTT Environmental Solutions Ltd.)
4. TSX:HRX (Héroux-Devtek)
5. TSX:SIS (Savaria Corporation)

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