3 High-Growth Stocks to Buy This Summer

Description

The world is slowing, especially Canada. Last quarter, the country’s economy grew at an annualized pace of just 1.3%.

While economies are slowing, your portfolio doesn’t have to. Here are three high-growth stock picks that are poised to grow sales and profits rapidly.

Profit from automation

Constellation Software (TSX:CSU) has posted incredible growth rates for more than a decade. Over the past 10 years, annual sales growth has averaged nearly 25%. While growth is slowing a bit, last year the company still achieved a 20% year-over-year revenue increase.

Even more impressive is the company’s earnings growth.

Since 2009, profits have grown by nearly 40% per year. In 2018, profits increased by 45%.

In Constellation’s case, sustained high growth has created massive shareholder wealth. A $10,000 investment in 2009 would now be worth $500,000.

Constellation owns a software portfolio that helps companies automate critical processes. Its main growth driver, automation, should persist for decades to come. Estimates show that four out of every 10 Canadian jobs will likely be automated over the next 20 years.

The breakneck growth rates of the past may not be sustainable forever, but this stock should continue growing at above-average rates for another decade or more.

Take flight

Airlines have had a tough time growing sales and profits. Growing in size hasn't been a problem given rising demand for air travel, but falling prices and increased competition have been difficult to fend off.

For example, consider **Delta Air Lines** and **American Airlines**. Over the last decade, annual sales growth has averaged roughly 7% for both companies. That's not bad, especially considering the sector median is closer to 6%.

Still, 7% growth rates hardly qualify these companies as high-growth stocks.

CargoJet (TSX:CJT) bucks the trend. Over the past five years, it has grown revenues by 17% per year. In 2018, sales popped by 14%.

The secret has been to dominate a niche area of the market.

Today, CargoJet is Canada's leading cargo airline, controlling more than 90% of the domestic overnight air cargo in Canada. With the rise of expedited shipping via online shopping, the company's position in the value chain has never been higher.

Next year, analysts are anticipating EPS to pop by more than 100%. Growth may slow due to the company's dominant position in the industry, but with cash flows on the rise, investors could see rapid dividend and buyback growth in coming years.

Drill deeper

With a $580 million market cap and share price of just $1.20, few investors are paying attention to **Africa Oil** (TSX:AOI). If you dig a bit deeper, however, this stock could be ready to explode.

It's happened before. In 2012, shares rose by more than 800%. Shares have sunk hard following the oil price collapse of 2014, but a resurgence looks just around the corner.

The company recently adopted a portfolio allocation model, where the stock acts as a holding company for various interests throughout Africa. According to management, this approach allows it to "access a larger number of highly prospective blocks, for a low entry cost and limited future capital commitments."

Most of the projects are lead by oil majors including **Exxon Mobil**, **Chevron**, and **CNOOC**, so execution risk is largely mitigated.

With $500 million in cash on the balance sheet and no debt, the stock looks cheap. Its portfolio value is roughly $200 million, meaning there's 25% upside based on the net asset value alone.

As multiple projects come online over the next few years, revenue growth could accelerate heavily. Now looks like the time to buy low.

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