2 Growth Stocks to Buy in October

Description

The S&P/TSX Composite Index has had a choppy start to October. Cannabis stocks, which have been fantastic vehicles for growth in the second half of this decade, have burned investors with some of the top producers struggling to turn a profit. Instead of gambling on this volatile sector, today I want to look at two stocks that are worth buying in October and holding for the long haul.

Kinaxis

Back in the summer, I'd called **Kinaxis** (TSX:KXS) the most underrated IPO of the decade. It should come as no surprise as another Ottawa-based tech company, **Shopify**, has arrived on the scene to steal its thunder. Make no mistake, Kinaxis is worth your attention in late 2019.

Shares of Kinaxis have climbed 22% in 2019 as of close on October 3. In September, the company added Honda to its impressive list of customers. Kinaxis can now count Honda, **Toyota Motors**, **Ford**, and Volvo as part of its stable of automobile makers. The auto industry is adapting to big changes, and this includes the adoption of more advanced supply chains. Kinaxis's flagship product, RapidResponse, is a software that utilizes big-data analytics to help companies improve their supply chains and operations planning.

Kinaxis is moving to a new head office in the Ottawa suburbs to make room for its rapidly growing business. The company is one of the reasons Canada has emerged as a global leader in supply chain planning software development. Shares are trading at the high end of its 52-week range, but Kinaxis is worth a long-term bet as we look ahead to 2020.

ATS Automation

In late September, I'd discussed two ways investors could get in on the automation explosion in the coming years and decades. **ATS Automation** (TSX:ATA) is a Cambridge-based company that designs and builds factory automation systems. The stock has increased 23% in 2019 so far.

Investors can expect to see ATS Automation's second-quarter fiscal 2020 results in early November. In the first quarter, the company saw revenues rise 13% year over year to $339.2 million. Adjusted earnings from operations rose to $38 million compared to $32.6 million in the prior year, but its margin remained flat at 11%. Order Bookings hit a record $423 million, up 18% from Q1 fiscal 2019. Its Order Backlog climbed 24% to $982 million.

There are broader risks to ATS Automation right now, especially considering the global trade situation. The U.S. manufacturing sector just entered a technical recession. A dramatic slowdown in this sector would have negative implications for the company in the quarters to come. Fortunately, ATS Automation's activity in the life sciences sector remains strong. There are also promising opportunities in electric vehicle manufacturing, but the company reiterated that EV customers are cautious.

A recent report from Market Research Future (MRFR) projected that the factory automation market would attain a CAGR of 8% covering the period from 2016 to 2022. ATS Automation stock still possesses a price-to-earnings ratio of 23.6 and a price-to-book ratio of two. Shares boast an RSI of 34 at the time of this writing, putting the stock close to technically oversold territory. Broader headwinds are worth monitoring, but I love ATS Automation as we move into the next decade.

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