3 Overpriced Growth Monsters to Keep an Eye on in 2020

Description

The year 2020 is here, and many experts and economists are still worried about the chances of a market crash. Though it's widely believed that even if a recession is imminent, it will lean more toward a market correction rather than an outright crash. Still, the chances of the broader market seeing a dip are significant.

While a recession might not be the ideal way to welcome the New Year, it does come with an opportunity, a chance to buy good businesses in the dip. Like the wizard of Omaha says, "Predicting the rain doesn't count, building the ark does."

So if you know that a recession is on the way, be prepared to make the best of it.

Cargojet (TSX:CJT), **Boyd Group** (TSX:BYD.UN), and **Kinaxis** (TSX:KXS) are three of the fastest-growing companies on the **TSX.** Right now, the companies are ridiculously overpriced, but that might not remain the case if the market crashes.

A cargo company up in the year

Cargojet is one of the leading air cargo companies in the country. It's a scheduled cargo service that carries 1.3 million pounds of cargo every night, within and outside the country.

Cargojet has a fleet of 24 aircraft. The cargo business has apparently been very profitable since the company has grown its market value over 275% in the past five years, and about 46% last year.

The company also provides quarterly dividends, though the yield is not very flattering right now at a mere 0.91%. CargoJet has a price-to-book of 8.31 and a trailing price-to-earnings of 62.25, which shows a lot of investor confidence in the company's growth. Currently, the company is trading at $103.33 per share at writing.

A lot of collision repair centres

Boyd Group Income Fund runs the largest network of collision repair centres in the country and the U.S. The company operates under different names in the U.S.: Glass America, and Gerber, both of whom are the country's prominent collision repair names.

The company is also highly overpriced, with a price-to-earnings of 53.3 and a price-to-book of 6.89. The reason is the company's spectacular growth, with market value increasing 324% in the last five years and 79% last year.

Boyd Group also has a stellar dividend payout history. The company increased its payouts for 11 consecutive years, earning it the title of a Dividend Aristocrat.

A supply chain software company

Kinaxis has stayed on the radar of most growth investors for a very long time, earning it a ridiculous price-to-earnings of 145 and a price-to-book of 12.23.

These numbers are high, but they aren't unreasonable if you consider the five-year market value growth of 440%. This is a compounded annual growth rate of 40%.

Currently, the stock is trading at $100 per share at writing. Kinaxis primarily deals in supply chain planning and management, and its software is considered among the best in the market.

Foolish takeaway

Good businesses with explosive growth rates are often overpriced. Even if you aren't planning to buy any overpriced stocks, there is no harm in keeping an eye on Kinaxis, Cargojet, and Boyd Group. Even a small market correction might get the companies closer to the price that you're willing to pay.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:KXS (Kinaxis Inc.)

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