Top 3 Canadian Growth Stocks to Buy for 2020

### Description

Growth stocks continue to be on the radars of investors, despite the broader market touching record highs. Investing in growth stocks is risky, especially in a market that is considered overvalued. But these companies can grow savings at an exponential rate.



We'll look at three Canadian companies that are part of high-growth markets, have strong fundamentals, and have the potential to outperform markets in the long term.

## CargoJet

Shares of **CargoJet** (TSX:CJT) have gained over 50% in the last 12 months and are poised to move higher. The company provides overnight air cargo services to 10 Canadian cities.

Analysts expect company sales to rise by 7.3% to $487.97 million in 2019 and by 8.8% to $530.77 million in 2020. CargoJet stock has a market cap of $1.55 billion and an enterprise value of $2.25 billion.

It has an enterprise value-to-sales ratio of 4.69, which is reasonable considering the company's growth rates. Cargojet has a 90% share in Canada and has partnered with **Amazon** and Canada Post, which will boost top-line growth.

In the last five years, the stock has gained 325%, easily outperforming broader indices. CargoJet has a forward dividend yield of 0.83%, and, with a payout ratio of 55%, it has enough room to increase payments over the next few years.

## Canada Goose

Despite stellar growth, Canada's luxury retailer has underperformed the market in the last year. Shares of **Canada Goose** (TSX:GOOS)(NYSE:GOOS) have slumped 33% in the last 12 months, despite the company's strong quarterly results.

Canada Goose has managed to beat analyst earnings estimates in each of the last four quarters. However, despite stellar results, the company's management did not increase its forecast for fiscal 2020 (year ending in March). This conservative outlook did not seem to go down well with investors, resulting in the sell-off.

The upcoming holiday quarter will be critical for Canada Goose. The company is banking on strong sales in Asia to drive top-line growth. In the fiscal second quarter of 2020, sales from Asia rose by 84% to $48.9 million compared to the overall revenue growth rate of 27.7%.

Driven by the sell-off, Canada Goose stock is trading at an attractive valuation. It has a market cap-to-sales ratio of 4.81, while the enterprise value-to-sales ratio stands at 4.83. The stock is trading at a forward price-to-earnings ratio of 21, and it has an estimated five-year PEG ratio of 1.1.

This indicates that the stock is trading at a cheap valuation given its revenue-growth rate of 23.9% for 2020 and 22.2% for 2021.



## CAE

**CAE** (TSX:CAE)(NYSE:CAE) provides training for civil aviation, defence, and healthcare markets. CAE designs and integrates training solutions for flight, cabin, maintenance, and ground personnel in the commercial, business, and helicopter aviation space. CAE also has a slew of flight simulation training devices.

Analysts expect CAE to grow sales by 14.6% to $3.79 billion in fiscal 2020 and by 6.9% to $4.05 billion in 2021. Its earnings are forecast to grow by 9.8% in 2020, 15.6% in 2021, and by an annual rate of 12.2% in the next five years.

The stock is trading at a market cap-to-sales ratio of 2.71 and an enterprise value-to-sales ratio of 3.3. Its forward price-to-earnings ratio of 25 might be considered expensive,] but the stock also has a forward dividend yield of 1.14%. With a payout ratio of 32.5%, CAE has enough room to increase dividend payments in the near future.

CAE stock has gained 44% in the last year and is up by an impressive 145% in the last five years.

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araghunath