TFSA Investors: 2 Promising Growth Stocks to Buy Today

Description

If you still haven't found an investment or two for your new 2020 TFSA contribution room, fear not. There are a number of high-quality companies with plenty of future potential that are still trading at attractive valuations.

These are companies you can expect to grow at a reasonable pace for the foreseeable future, while also growing profitability and looking for ways to return capital to shareholders.

Both companies we will look at today are in growth mode, paying out only a small amount of retained earnings and reinvesting in growth.

While this may not be attractive to investors who are looking solely for income-generating stocks, these offer great opportunities for long-term investors to potentially grow the value and return on your investment at a much faster pace than if these companies were paying out the majority of their earnings.

The two top growth stocks for long-term investors to consider adding to their portfolios are **Brookfield Business Partners** (TSX:BBU.UN)(NYSE:BBU) and **CAE** (TSX:CAE)(NYSE:CAE).

Brookfield Business Partners

Brookfield Business Partners is an investment company like the rest of its Brookfield peers that invests in multiple industries around the globe.

The company invests primarily in business services, construction, energy, and industrials, but it has no restrictions, so it can invest in whatever industry looks attractive from a long-term standpoint.

Brookfield's ideal target acquisition is a company operating with a strong business model in an industry with high barriers to entry and naturally attractive margins.

It then works to improve the business using its expertise to grow the operations and establish sustainable cash flows.

This works especially well when Brookfield can find highly undervalued or struggling companies that can benefit from its expertise and creates enormous value for Brookfield and its shareholders.

The company’s target goal is to earn 15% on its investments for shareholders, but it aims to do that over the long run and will never sacrifice any discipline or long-term potential for short-term gains.

It’s a truly global business with significant assets in North America, South America, Asia Pacific, Europe, and the Middle East.

The company has a good track record of successful past investments that have worked out well, and there no reason why these new investments can’t continue to grow Brookfield’s cash flow as it has so far.

Plus, you can gain exposure today at a price-to-earnings ratio of just 16.9 times — pretty reasonable for a reliable growth company.

CAE

CAE is a leader in providing training services and products for the aviation, defence, and healthcare industries.

The company’s expertise, footprint, integration, and state-of-the-art technology in the sector all combine to put CAE in a dominant market position.

It’s not just a North American company either; CAE is well diversified globally, operating in over 35 countries.

Because it’s a leader in a unique but essential industry, CAE is well positioned for the future. Not only do each of the three industries rely on employees being properly trained, but it’s an industry with large barriers to entry, and CAE is building itself a massive competitive advantage.

Another quality of companies that make for great investments are ones that generate a large amount of revenue on a recurring basis, and CAE gets about 60% of its sales from recurring revenue.

The company’s incredible strength is evidenced when looking at its growth in earnings before interest, taxes, depreciation, and amortization (EBITDA), which is up 35% in the last three years.

Going forward, CAE’s plan is to continue to invest in growth as well as wanting to deleverage to low end of its net debt to capital range it sets for itself, which is 35-45%.

It’s paid out a dividend for a while, but as it’s grown its cash flow, CAE has also begun to buy back shares, returning even more capital to shareholders.

Investors can gain exposure to this rapidly growing company today at a price-to-earnings ratio of roughly 25 times — slightly high, but worth it for such a high-quality stock.

Bottom line

Although neither of these companies will likely double overnight, they are both solid growth companies you can rely on for years to help propel your portfolio higher and continue to help you grow your wealth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. NYSE:CAE (CAE Inc.)
3. TSX:BBU.UN (Brookfield Business Partners)
4. TSX:CAE (CAE Inc.)

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