2 Top Growth Stocks That Look Insanely Attractive Now

Description

Genuinely great growth stocks are rare, which is why they're so often overpriced. Over much of the past decade I've struggled to find a growth stock that was attractively valued. However, now that the stock market has been upended, risk averse investors have dumped some top growth stocks.

This could be the perfect chance to add some top growth stocks to your long-term portfolio.

Convenience growth stock

Laval-based convenience store giant **Alimentation Couche-Tard Inc.** (TSX:ATD.A)(TSX:ATD.B) seems like it's in a difficult spot. Road traffic has declined substantially as people work from home and vacations are cancelled. No one is getting their car washed on highways anymore — which means less foot traffic and sales at Couche-Tard outlets spread worldwide.

However, there are three reasons I believe this top growth stock presents an opportunity. First, the stock has plummeted. The stock is worth 17.6% less than it was in mid-February and now trades for just 14 times trailing earnings.

There's no doubt earnings could decline in this quarter. However, Couche-Tard is well positioned to survive this tumultuous crisis. The company has $1.85 billion in cash and cash equivalents on its books.

Long-term debt is worth less than the total value of equity, and the dividend payout ratio was a mere 10.3%, which means plenty of cash is retained.

Couche-Tard is also well diversified. Its network of convenience stores stretch from Mexico to Indonesia. As these economies gradually open up again, the company's sales could resume their brisk ascendance.

Investors have seen a 19-fold return between 2009 and 2019, which implies an annual compound growth rate of 34.2%. At the moment, the stock is priced for even better returns over the long term.

Luxury retail growth stock

Luxury retail is a fascinating sector of the economy. Wealthy shoppers tend to cut back on luxury purchases during economic downturns. However, consumer sentiment rebounds quickly when things improve.

Luxury retailers such as **Canada Goose** (TSX:GOOS)(NYSE:GOOS) tend to have more resources to withstand these downturns because of their extravagant margins. Goose's 23% operating margin is far higher than most apparel manufacturers, as the brand adds value that loyal customers are willing to pay for.

The company's balance sheet seems stronger than the average apparel stock as well. There's $72 million in cash and cash equivalents, $10 million in leverage-adjusted cash flow and debt-to-equity is just 72%.

Sales and profits have been climbing at double-digit percentages over the past few years. For the moment, Canada Goose shops across the world remain shut. Sales could gradually recover once these stores are back open.

Meanwhile, investors have priced-in the worst-case scenario for the stock. Goose has lost 67% of its value since 2018. It now trades at just 21 times trailing earnings per share. That's fair value for a growth stock with immense potential for international expansion.

Bottom line

Top growth stocks like Canada Goose and Alimentation Couche-Tard Inc. are likely to face some short-term hurdles. However, the economic downturn has already been priced into their stocks.

These companies now seem like underappreciated growth opportunities. Investors should take a closer look.

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vraisinghani