2 Smoking-Hot Growth Stocks to Buy Today

Description

Growth stocks shine exactly when investors are squeamish. As Warren Buffett would say, “be greedy when others are fearful.” At the moment, the entire world is fearful of a second wave of the ongoing pandemic and economic chaos. This means some incredible growth stocks are discounted.

For the contrarian investor, this could be the perfect opportunity. Here are two top-notch, red-hot growth stocks that I would bet on today.

Canada Goose

Luxury retail is the first victim of any crisis. However, because these retailers have huge margins, they can avoid business failure during tough times. **Canada Goose** (TSX:GOOS)(NYSE:GOOS) seems to be in that position at the moment.

In recent years, the Toronto-based company has successfully created a recognizable, aspirational brand. The logo is now popular enough to justify the company’s hefty price tags and attractive margins. At the end of last year, the company reported operating margin at 23%.

Of course, sales will drop and the margin will be squeezed this year. Stores remain shut across the world. As businesses fail and people lose their jobs, demand for luxury coats could take a hit. However, Canada Goose stock has already priced this in. It currently trades at 21 times trailing earnings. There’s not much downside left.

The company also has enough resources to survive a prolonged shutdown. It reported $72 million in cash and cash equivalents, $10 million in leverage-adjusted cash flow, and debt to equity is just 72%. Add this one to your growth watch list for 2020.

Dollarama

Essential retail **Dollarama** (TSX:DOL) seems to have avoided the market crash. The stock price has been flat since February and is down just 8% from late January. It now trades at 24.3 times trailing annual earnings.

However, the underlying business is thumping. 96% of Dollarama stores remain open as essential services across Canada. Shoppers seem to have flocked to the stores over the past few months. This means the latest quarter should be one of the company's best ever. The stock price doesn't seem to reflect this explosion in sales.

Operating margins seem far better than I would have expected. In its latest filing, the company reported operating margin at 22.65%. That's far higher than most "discount" retailers. The company also reported nearly half-a-billion dollars in leverage-adjusted cash flow. That means the price is just 23.2 times free cash flow per share.

Dollarama is a robust business with growth prospects trading at a fair price. However, investors should keep a close eye on the company's debt burden. Dollarama reported long-term debt at $3.4 billion. That's many times higher than annual cash flow. If it can get over that hurdle, this company could be unstoppable.

Bottom line

It's difficult to time the market. However, now that investors have repriced stocks and seem to be fearful of the road ahead, aggressive investors can take advantage. Red-hot growth stocks like Dollarama and Canada Goose could be excellent opportunities in this ongoing market turmoil. Dollarama has been deemed essential, and Canada Goose has plenty of buffer to survive the crash.

Add these to your long-term growth watch list.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:DOL (Dollarama Inc.)
3. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/26
Date Created
2020/04/24
Author
vraisinghani