Canadians: 1 Super Growth Stock to Buy Today

Description

Back in March, I'd discussed how investors should behave in response to the sharp pullback. Stocks across the board were reeling, but looking back, there were fantastic opportunities for investors to buy the dip. Growth stocks in technology have performed particularly well.

Today I want to focus on a stock that I'd pinpointed during the brutal March correction.

ATS Automation (TSX:ATA) is a Cambridge-based company that provides factory automation solutions to its global customers. Shares of the company have climbed 22% month over month as of close on May 18. This is a growth stock to hang onto for the rest of the 2020s.

Let's dive into why.

Why this growth stock is worth your attention

The company is set to release its fourth-quarter and full-year results before markets open on May 27. Investors last saw its Q3 2020 results on February 5. ATS Automation looked like it was on an encouraging track heading into the final quarter of the fiscal year. This is one of the reasons I'd targeted it as a top growth stock in the beginning of March.

In the third quarter, revenues climbed 14% year over year to $367 million. The order backlog increased 1% to $939 million while order bookings fell 7% from the prior year to $368 million. ATS Automation also initiated its reorganization plan that aims to reallocate capital from underperforming facilities to high-performing facilities.

For the first nine months of 2020, the company had achieved revenue growth of 16% to $1.04 billion. Adjusted earnings per share increased 11% to $0.80, while order bookings were flat compared to the prior year.

Automation is set to ramp up in this decade

The space in which this company operates also makes it a highly attractive growth stock. Factory automation will increase in the years to come, and ATS Automation is well-positioned to benefit.

The COVID-19 pandemic has accelerated many business trends. Automation is just one more development that will attract more interest due to this historic pandemic.

Allied Market Research recently released a forecast for the global factory automation market. The firm projects that the market will reach $368 million by 2025, compared to a value of $190 billion in 2017. This would represent a compound average annual growth rate (CAGR) of 8.8% over the forecast period.

Last September, this was one of the reasons I'd recommended ATS Automation as a growth stock for the long term.

How does this stock look today?

Shares of ATS Automation have bounced back nicely after the March correction. The stock is now trading close to its 52-week high, which doesn't mean that the stock should be ignored ahead of its Q4 and full-year earnings release.

ATS Automation stock last had a price-to-earnings ratio of 32 and a price-to-book value of 2.3, putting its shares in favourable value territory in comparison to its industry peers. Moreover, the company boasts a fantastic balance sheet.

Given its potential in a very promising space, this is a growth stock to hold for years to come.

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