How to Find the Top Canadian Stocks to Buy in 2021

Description

If you're looking for the top Canadian stocks to buy in 2021, you probably want market-beating total returns. Most extraordinary returns come from stock price appreciation, which is often driven by growth. The strategy is to buy these stocks early, on dips, or at good valuations, depending on the type of growth stock in question.

Buying growth stocks early

Investors can find growth stocks with bright prospects early on the TSX Venture Exchange. For example, **WELL Health** (TSX:WELL) is a relatively young company that was founded in 2010. It just graduated from the TSX Venture Exchange to the **Toronto Stock Exchange** in January 2020.

Before that, the health care services company already displayed stellar revenue growth along with nice gross margins. Its last-12-month revenue growth of more than 260% is still very impressive.

The stock has been a super outperformer. Since 2020, it has been a five-bagger. Investors who found the stock earlier on the TSX Venture Exchange, could be sitting on a 16-bagger today!

Recently, WELL Health has continued to grow revenues in the 40% range while improving its gross margins. It still provides above-average growth today.

The WELL Health example demonstrates that it could be well worth the time to research the top Canadian stocks on the TSX Venture Exchange to find small-cap stocks with explosive growth potential. If this sounds like something you're comfortable with, diversify across a basket of such stocks and hold them for at least five to 10 years.

Buying established growth stocks

Some stocks have demonstrated long-term growth with a track record of revenue and earnings growth. For example, **Alimentation Couche-Tard** (TSX:ATD.B) is a more mature growth stock. Over the last

40 years or so, it has done an incredible job growing through M&A and organically.

Its pattern of growth involves reducing its leverage ratio, generating strong cash flow, making smart acquisitions, learning from the integrations, … and the cycle repeats.

More recently, in the past decade or so, Couche-Tard compounded revenues by 13% per year, EBITDA by 22% per year, and adjusted earnings per share by 22% per year. For its consistently growing profits and defensive business model, Couche-Tard is one of the most admired large-cap stocks on the TSX!

Currently, it's exploring further expansion opportunities through M&A activities with a focus on the United States and Asia. It has converted most of its stores in the United States and Canada as well as all of its stores in Europe into its international Circle K brand, which should boost brand awareness and loyalty. Further, it can much more easily roll out national promotions after the brand has unified under Circle K.

Don't be discouraged by Couche-Tard's small dividend yield of about 0.9%. It has increased its payout by about eight times since 2011 — a dividend growth rate of almost 27%!

The Foolish takeaway

One place to look for stocks with explosive growth is the TSX Venture Exchange. Investing early in stocks like WELL Health would multiply your money multiple folds! Potentially, you could land on 10-baggers or more.

You can also filter for more established growth stocks like Couche-Tard that are growing their revenues and earnings at an above-average rate in the long run.

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