



2 Top Canadian Growth Stocks Poised to Take Off

Description

The pandemic has had a major impact on how investors picked stocks this past year. During the first half of last year a mass rotation into defensive names took hold. This was followed by a rotation into growth stocks as bond yields plummeted. Of late, highly cyclical, economically sensitive reopening plays are taking preference among investors.

However, some stocks just remain great long-term holdings regardless of whichever rotation is underway. In this article, I'm going to discuss two top picks for investors in any market. There are long-term buy and hold growth opportunities I'd recommend holding for at least five to ten years.

Constellation Software

Consolidators like **Constellation Software** ([TSX:CSU](#)) have proven to be great [long-term holdings](#). Constellation in particular has done a fantastic job of creating long-term capital appreciation growth for investors over the years.

How has the company done this?

Constellation is not just a tech stock; it's also a tech hunter. Its business model involves acquiring vertical-specific software (VSS) companies. Over the last 21 years, Constellation has acquired more than 260 such companies operating in over 100 countries. Indeed, Constellation grows by strengthening the aggregate business model of its portfolio of smaller companies.

Constellation selects companies that offer customized proprietary solutions with impressive IP. These are companies with relatively "sticky" customer bases and moats. Constellation then provides financial and strategic guidance to such companies, aiding their growth curves.

This strategic acquisition business model has helped Constellation increase its earnings at a compound annual growth rate (CAGR) of 16% over the past four years. That's an incredibly high growth rate for a company of Constellation's size. Accordingly, the capital appreciation investors saw of 184% over this same period is understandable. Over the past decade, the company has one of the top

return records on the **TSX**.

One of the best things about this company is its management team's strategic foresight. Constellation has a management team which is extremely skilled at capital allocation. It has a very high return threshold on these new acquisitions. Constellation has continued to evolve its M&A strategy over time, selecting new VSS targets with broader market verticals. Thus, there's tonnes of potential for accelerated growth if Constellation can move into higher-growth sectors such as cloud-based software. Many analysts think this is likely, and I'm on board. Constellation's a great long-term pick.

Restaurant Brands

The [pandemic](#) has hit **Restaurant Brands** ([TSX:QSR](#))([NYSE:QSR](#)) harder than most TSX growth names.

Indeed, the company's in-restaurant dining has taken a big hit. Restaurant Brands is a fast food chain owning and operating some pretty powerful banners. This is the parent company behind Burger King, Popeyes Louisiana Kitchen and Tim Hortons. Of course, given the economic turmoil of the past year, the growth this company had previously enjoyed took a breather.

However, with vaccination rollouts accelerating, hopes of a reopening ought to take such stocks higher. Indeed, companies like Restaurant Brands with an impressive track record of same-store sales growth, fueled by new restaurant openings globally, should outperform in such an environment.

Like Constellation, Restaurant Brands has been one of the best long-term growth picks on the TSX. I'd actually rate this company higher from a defensiveness standpoint right now. I think Restaurant Brands' core business model is one that will continue to do well decades down the road.

For long-term investors, this makes now a great time to buy this stock, before it really takes off. I think the next few quarters will once again show the company's growth potential. Accordingly, I don't see this stock being this cheap for much longer.

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TICKERS GLOBAL

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Date

2025/08/25

Date Created

2021/04/20

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