3 Top Canadian Growth Stocks to Buy in 2021

Description

You want to buy top-quality Canadian growth stocks when they underperform in the short term. Here are some top Canadian Dividend Aristocrats that have outperformed in the past 10 years. However, their recent returns are horrible, which could make them great buys now for potentially incredible long-term returns.

An undervalued tech stock

Tecsys (TSX:TCS) is a global company that provides solutions to help companies improve their supply chain. For example, it helps streamline enterprise resource planning, improve warehouse management, and improve transportation management, etc.

The tech stock just had a substantial correction of 35% from its all-time high that was set early this year. However, it still delivered total returns of about 35% in the past 10 years.

Other than its outperforming long-term returns, Tecsys's track record of dividend increases is also something to take note of. This year marks the 13th consecutive year of dividend growth. Its three-year dividend-growth rate is 9.8%.

Its last 12-month revenues increased by 20% to $118 million. In the last reported quarter, its recurring revenue climbed 26% and contributed 42% of total revenue versus 40% a year ago. As its recurring revenue grows and contributes to a bigger portion of total revenue, it'll improve the company's earnings quality.

Patient investors could be awarded some nice price appreciation. Currently, analysts estimate the stock could appreciate about 47% over the next 12 months.

Another cheap tech stock

Enghouse Systems (TSX:ENGH) is a software and services company that has a long history that goes back to its founding in 1984. At a high level, it provides technology solutions to enable network and digital transformation for 5G operators and software solutions for transit, supply chain, and public safety companies.

In the last 12 months, the tech stock increased revenues by 25% to $512 million. Net income was $103 million, up 43% year over year, while the net income margin expanded from 17.55% to 20.13%. The adjusted earnings per share climbed 41% to $1.85.

The tech stock just had a meaningful correction of 29% from its all-time high in 2020. However, it still delivered phenomenal 10-year total returns of about 27% per year.

Other than its outperforming long-term returns, Enghouse has also increased its dividends for 14 consecutive years. Its three-year dividend-growth rate is 18.4%, which matches its last dividend increase in March of 18.5% year over year.

The growth stock's five-year return on equity of 18.9% is desirable. Currently, analysts anticipate the stock could appreciate about 41% over the next 12 months.

A rare quality consumer staples stock

The **TSX** index only has 3.6% in consumer staples. So, **Alimentation Couche-Tard** (TSX:ATD.B) is a rare gem in the sector. It has a track record of high returns on equity. Its five-year return on equity of 23.5% is admirable.

As a global leader in convenience store and road transportation fuel retailing, Couche-Tard was able to learn from its experience in operating with pandemic impacts in its European operations and apply it to its North American operations.

The defensive stock has pretty much gone nowhere compared to a year ago. However, it still delivered incredible 10-year total returns of about 26% per year.

It has increased dividends in the last 11 years with a three-year dividend-growth rate of 18.2%.

The Foolish takeaway

The recent underperformance of Tecsys, Enghouse, and Couche-Tard calls for further investigation. If historical returns are indicative of future returns, it could be an excellent time to accumulate shares of these top Canadian growth stocks at current levels for outperforming potential in the long run.

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TICKERS GLOBAL

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2. TSX:TCS (Tecsys Inc.)

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