2 Cheap Growth Stocks to Make You Rich

Description

Stock investing is the way to go to grow your riches. Here are two cheap growth stocks that have a better chance of making you rich than the market, because of their valuations and growth potential.

Canadian Tire

Canadian Tire (TSX:CTC.A) is a specialty retailer that falls under the consumer discretionary sector. However, its earnings have been more stable than average through economic cycles — much more so than many of the companies in the same sector. Therefore, it has also been able to at least maintain its dividend in tough economic times like during recessions. Its e-commerce presence was a key stabilizer of its sales and earnings during the pandemic.

An investment in the growth stock 10 years ago would have delivered total returns of roughly 14% per year, which outperformed the stock market. In this period, it has also increased its dividend at a compound annual growth rate of 17.6%, which is above average among its Canadian Dividend Aristocrat peers.

During the pandemic market crash in 2020, the retail stock fell to as low as $70 per share — a super-cheap valuation of about 5.6 times normalized earnings. It surprised the market with GAAP earnings per share falling only 2% in 2020. As a result, the stock made a comeback with a vengeance. It has now more than doubled from the low to the $185-per-share level, but the stock is still cheap with 22% near-term upside potential and a 2.5% dividend yield to top it off.

Restaurant Brands

Restaurant Brands (TSX:QSR)(NYSE:QSR) is another growth stock that's cheap. The consumer discretionary stock has fans across the globe. Worldwide, it has approximately 27,000 restaurants across its three popular restaurant brands: Tim Hortons, Burger King, and Popeyes Louisiana Kitchen.

During the pandemic market crash last year, it fell to as low as $30 per share. Because of economic lockdowns that led to temporarily closures of its restaurants, its GAAP earnings fell 32% on a per-share basis. Thankfully, because of its geographical diversification, it has a presence in more than 100 countries. So, a percentage of its locations were always open, despite the pandemic impact.

Its earnings are expected to more than rebound this year. So, its dividend yield of 3.4% is expected to be safe. The recent stock correction is a good opportunity to start easing into the growth stock. In the near term, the stock has about 18% upside potential. Longer term, it could experience double-digit growth from net restaurant growth and its global expansion.

The Foolish investor takeaway

Most investors don't have tonnes of cash lying around to buy stocks on a super sale during black swans like the pandemic market crash. The reason being that there's an opportunity cost in letting large amounts of cash sitting on the sidelines.

Saving and investing regularly can make you rich, too. Multiple factors can help drive returns. First, buy quality businesses that are growing at an above-average pace. Second, buy when they're trading at good valuations. (You don't necessarily have to buy at the cheapest valuations to make good returns.) Third, be patient and hold your shares over a long time to allow compounding to work its magic.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:QSR (Restaurant Brands International Inc.)

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kayng