



2 Growth Stocks Atop My Buy List Right Now

Description

With the Nasdaq 100 plunging around 15% from peak to trough, it's clear that many big tech behemoths have not been spared from the excess volatility brought forth in this rate-induced valuation reset. It's been a vicious reset, but one that's needed for the bull market to go on. At the end of the day, the bursting of isolated bubbles is healthy for long-term investors. Further, it provides a chance to get in on names that may have, like a pendulum, overswung to the downside by a wide margin.

The growth trade is tough to evaluate. That's why I'm only willing to buy hard-hit growth stocks that either are currently making a profit or have plans to make a profit sometime soon. Like it or not, rate hikes mean profits today, not just sales, are needed to justify a lofty valuation. With sales and no hopes of making actual GAAP profits, who knows how low those could fall, as rates look to surge off the bottom for the first time in a while?

Currently, **Spin Master** ([TSX:TOY](#)) and **Alimentation Couche-Tard** ([TSX:ATD](#)) are worth watching here.

Spin Master

Spin Master is a Canadian toymaker that just clocked in a marvelous quarter, impressing investors and analysts by a great deal. There's no question that operational leadership has been lacklustre, even before COVID supply chain challenges struck the firm like a punch to the chin. Indeed, expectations were low as the supply chain hiccups grew apparent. After navigating through the tricky waters, though, I think the worst is behind Spin, and the firm is ready to power higher with strength across the board.

The firm has a strong balance sheet, a knack for spotting M&A [opportunities](#) in the toy market, and an eye for innovation. Intriguingly, the firm's digital games business helped hold up the fort when Spin stock got crushed back in the early days of the pandemic. Moving ahead, I'd look for digital and physical to drive the stock towards all-time highs. After surging nearly 70% over the past year, I think Spin, the growth company, is back. At 23 times earnings, TOY stock is not at all cheap, given its

compelling growth drivers and its newfound momentum.

Alimentation Couche-Tard

Alimentation Couche-Tard is a great convenience store company that's [growing](#) its earnings at a ridiculous rate. Indeed, as rates rise, the name of the game is earnings growth, not just sales growth! With management's sights set on the EV boom, I think shares of ATD are a stealth growth play that can not only withstand higher rates, but it can lead the broader TSX Index higher. The stock is dirt cheap relative to its double-digit growth rate. Trading at 17.5 times trailing earnings, a case could be made that ATD stock is far too cheap, even given a bit of uncertainty regarding how the firm plans to put its massive liquidity to work on the M&A front.

Historically, Couche has been a growth-by-acquisition story. As the firm looks beyond convenience stores, perhaps the company could make the most interesting deal in its history. I'd look for Couche to be a pioneer in convenience retail and would look for new tech to help the firm thrive in the new age. Charging stations, fresh food, and exclusive private-label offerings represent a compelling margin expansion opportunity. Indeed, fuel sales will plunge over the years, as EVs become more mainstream. That said, charging and more exciting evolution of the convenience store could more than offset any lost fuel sales.

For that reason, I'm standing by Couche-Tard, as it looks to break through to new highs. On Tuesday, shares hit \$54 and change per share and could be poised to rocket past \$60 in a matter of months.

Yes, Couche-Tard is a boring company — not your typical, exciting growth stock. But it's one that can really help investors do well in an environment where real profits are needed to propel stocks higher.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
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