2 Non-Tech Growth Stocks to Consider Now

Description

Growth stocks are typically found in the tech sector, but other industries also have growth stories.

Air Canada

Air Canada (TSX:AC) took a beating during the worst of the pandemic. The company cut staff by more than 50% and reduced capacity by 90%, as domestic and global air travel plunged. COVID-19 is still present, and the risk of future travel restrictions is certainly worth considering when evaluating airline stocks. The current COVID-19 wave hitting China that has forced the lockdown of Shanghai is a good reminder.

That being said, Air Canada is ramping up capacity at a steady pace to meet demand for summer travel. At the March 30th investors presentation, Air Canada said it plans to increase its full year 2022 ASM capacity by 150% compared to 2020 and expects to end the year at 75% of the 2019 level. The annual EBITDA margin is targeted at 8-11%, despite the challenges of high fuel prices and the slow return of lucrative business travelers.

Beyond 2022, AC is anticipating an annual EBITDA margin of 19% for 2024. Annual return on invested capital is targeted at 15% by the end of 2024. Cumulative free cash flow guidance is for $3.5 billion for the period covering 2022-2024.

Air Canada also expects its Aeroplan membership to expand by 40% by the end of 2024 when compared to its level in early 2019.

The price of oil is slowly pulling back from the recent highs. At the time of writing, WTI oil trades below US$94 per barrel. If oil prices continue to ease through the rest of the year, Air Canada's margins might be better than anticipated.

Air Canada trades near $21.50 per share at the time of writing. That's down from the 12-month high around $29 and up a bit from the low it hit last month below $20. Volatility should be expected, but investors who think air travel demand will return to 2019 levels by 2024 might want to start nibbling on

AC stock on additional weakness.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is spending US$16.3 billion to buy Bank of the West. This accelerates Bank of Montreal's long-term focus on the American market that started in the early 1980s when the company purchased Harris Bank.

Bank of the West has a strong presence in California, offering Bank of Montreal attractive growth prospects in the state. California on its own would be considered the world's fifth-largest economy with 40 million residents and US$3.1 trillion of GDP.

The acquisition adds more than 500 branches and gives Bank of Montreal a footprint in 32 states and a strong presence in three of the top five U.S. markets.

Bank of Montreal increased its dividend by 25% late last year. Investors should see another generous payout hike for 2023. The stock currently trades near $145 per share at the time of writing compared to the 2022 high around $154. Investors who buy now can pick up a 3.7% dividend yield.

The bottom line

Market volatility is anticipated in the coming months, but these stocks deserve to be on your radar. Air Canada and Bank of Montreal are growing this year and should deliver attractive returns for investors over the medium term.

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