1 Growth Stock to Buy and 1 to Sell

Description

Analysts continue to weigh in this earnings season, and many have an opinion ahead of earnings reports. This included two growth stocks recently, where one growth stock continued to be a buy. However, another was put into the sector perform category, so investors may want to sell. Let's take a look at both and what analysts are saying today.

One growth stock to buy

Metro (TSX:MRU) is set to release second-quarter earnings on April 21. One analyst recently weighed in on the growth stock, suggesting investors think big picture when it comes to this grocery stock. Even amid inflation and another surge with the Omicron variant.

National Bank Financial analyst Vishal Shreedhar believes it's an "evolving" situation that the grocery chain will eventually figure out.

> "While we expect elevated grocery demand to eventually normalize post-pandemic, we believe that there will be an element of heightened demand persisting, aided by ongoing work-from-home trends."
> *Vishal Shreedhar*

Shreedhar believes Metro will continue to see improvement, especially in same-store sales growth and lower COVID-related costs. The company has invested in fighting back supply-chain issues by opening up a Toronto distribution centre, and a new automated frozen distribution centre as of January 2022. All this will not only help in full year 2022 but far beyond as well.

Shreedhar increased his target for the growth stock to $74 per share — up from the average $70.07. It currently trades at $72.59, providing a 2% upside.

One growth stock to sell

It can be very tempting to get on the clean energy bandwagon. And I think there are a lot of opportunities. However, one analyst believes **TransAlta Renewables** (TSX:RNW) recently reached its value potential, dropping it to "sector perform."

RBC Dominion Securities analyst Nelson Ng does believe there is long-term potential, but likely not until 2025. This comes from the expiration of its gas-fired Sarnia facility. Meanwhile, the clean energy company is going through a massive cost loss from its Kent Hills project where it has to replace foundations. This led to a loss in revenue of about $0.50 per share.

With so much up in the air in the next few years, it will take until 2025 to see if the Sarnia facility is renewed. There will be more clarity about further revenue coming from the project. Still, the facility could see a decline of between 20% and 40%, according to Ng. Therefore, TransAlta will have to come up with something else.

That being said, the growth stock has a strong balance sheet despite the losses, leading Ng to maintain a $21 target, with a consensus target at $18.46. Shares currently trade at $18.67, providing a potential upside of 12.5%.

Foolish takeaway

These are both strong growth stocks that provide a lot of potential in the years to come. However, analysts seem to lean towards Metro over TransAlta for one thing: stability. There are a few question marks that could see TransAlta move away from growth stock territory in the next few years. Meanwhile, Metro stock continues to have ways of creating revenue, whether it's addressing supply-chain shortages or fueling its discount stores. Therefore, it might be time to buy Metro and sell TransAlta for now.

CATEGORY

1. Investing

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2. TSX:RNW (TransAlta Renewables)

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Date
2025/06/28
Date Created
2022/04/15
Author
alegatewolfe