Market Correction: 2 Attractive Growth Stocks to Put on Your Radar Now

Description

A market correction is underway. Although the growth stocks I'm about to discuss are getting attractive, it may serve investors better to put these **TSX** stocks on their radars instead of jumping in immediately. Instead, give time to research the stocks closely to see if you're confident in their businesses for the long haul.

I believe these growth stocks have the potential to deliver market-beating total returns over the next three to five years.

Constellation Software stock

Constellation Software (TSX:CSU) stock has been an incredible long-term investment with superb returns. Since 2007, the growth stock has delivered annualized returns of about 34%, which greatly exceeds the average long-term stock market returns of 7-10% per year. The out-of-the-world returns were partly from the company growing its earnings per share by about 29% per year and experiencing meaningful valuation expansion. Specifically, its price-to-earnings ratio jumped from about 17.3 to 34.2.

Here are some recent comments by experts:

> "A great Canadian tech company. They buy software companies in a vertical strategy, geared to specific industries like healthcare. We have a price target of $2,665. So, a nice runway lies ahead. During dips, the stock hasn't fallen that much."
> *Kim Bolton, president and portfolio manager at Black Swan Dexteritas*

> "They grow by acquisition. Constellation Software had held up well in the face of rising interest rates. Weakness in tech companies opens opportunities for Constellation Software to acquire other tech companies. It's a strong company with good managers. However, there's not much organic growth."
> *Christine Poole, CEO and managing director at GlobeInvest Capital Management*

The tech stock's return on equity (ROE) has been strong — its five-year ROE is north of 48%! Its five-year return on assets of north of 10% is also decent.

The top-notch growth stock has corrected about 15% from its 52-week high. Analysts think CSU stock is undervalued by about 25% and can appreciate close to 34% over the next 12 months.

WELL Health Technologies

The market downturn has been especially brutal against tech stocks like **WELL Health Technologies** (TSX:WELL) that aren't profitable yet. The small-cap stock lost about half of its value from its 52-week high. However, recent commentary from Scotia Capital analyst Adam Buckham on April 25 was positive:

> "Preliminary Q1 numbers [were] ahead of consensus; 2022 continues to track towards $500M+ in revenue. This morning, WELL Health provided an update that included the pre-release of several Q1 financial metrics along with details on (1) its US telehealth franchise (at $100M in run-rate revenues), and (2) the positive impact of recent changes to Ontario's physician service agreement (expected to drive $1.7M in incremental EBITDA). Although we were in-line with the pre-release on Adj. EBITDA, revenues were ~5% ahead of our estimate, and both metrics were ahead of consensus. On the back of the news, we have made minor adjustments to our estimates, with our 2022 revenues moving slightly higher to ~$510M."

Buckham has a 12-month price target of $9, which aligns with the consensus target of $9.77. If the stock does hit $9.77 in 12 months, that would be more than a double from current levels!

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2. TSX:WELL (WELL Health Technologies Corp.)

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kayng