2 Profitable Growth Companies I'd Buy Right Now

Description

Unprofitable growth companies are out of style these days, with rates on the rise and a recession that could hit in future quarters. As interest rates rise, earnings that lie far into the future are worth considerably less today. And with a potential economic downturn in 2023 factored in, those price-to-sales (P/S) multiples could expand, as revenue growth looks to hit a few bumps in the road.

Undoubtedly, it's become so hard to value growth stocks these days. Though the growth selloff will eventually end, with many fallen gems that could make up for lost time, it remains incredibly painful to catch any of the falling knives these days.

The good news is that investors do not need to catch the unprofitable growth stocks that only seem to drop almost every trading session. There are many profitable growth companies that Canadian investors ought to consider if they're looking to do well without having to risk their shirt to make a gain for the year.

Consider firms like **Alimentation Couche-Tard** (TSX:ATD) and **Enbridge** (TSX:ENB)(NYSE:ENB).

Alimentation Couche-Tard

Alimentation Couche-Tard is a convenience store company that's grown via prudent M&A as well as various same-store-sales growth (SSSG) efforts. The company rakes in considerable amounts of cash flow, with a rock-solid balance sheet. Undoubtedly, Couche-Tard has had less success with acquisitions over the past two years. The firm tried to break into the grocery store space with Carrefour but was ultimately halted by the French government. With the Caltex Australia deal also falling through, it's been quite the uneventful past year for the firm.

Still, the stock has held its own, surging to new highs, as the TSX corrected, and the S&P 500 fell into a bear market. In due time, Couche-Tard will make a big move. And investors are sure to get excited, given the firm's acquisitions have been known to be value creative.

Couche-Tard is all about the synergies. With the firm in the running to scoop up Petro-Canada stations and U.K.-based EG Group, the second half of 2022 could become very interesting for the cheap retail giant.

With strong managers and a modest 16.89 times trailing earnings multiple, Couche is a profitable growth company that could easily finish the year higher as everything else gets pummeled.

Enbridge

Enbridge isn't exactly known for its growth. However, with recent energy tailwinds, the company has seen its revenues surge to the double digits. The company clocked in solid first-quarter numbers while reaffirming its 2022 guidance for EBITDA. Per-share earnings came in at $0.84, just a penny shy of the consensus, which called for $0.85.

As a major transporter of oil and liquefied natural gas, Enbridge is in great shape, as it does its part to meet the incredibly high demand for domestic energy products. Undoubtedly, the huge 5.9% dividend yield is the main draw to the stock. At 20 times trailing earnings and 2.3 times sales, investors won't pay too much of a premium for the passive income, making Enbridge a great profitable growth firm to buy on strength.

CATEGORY

1. Investing

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2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:ENB (Enbridge Inc.)

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