2 Proven Growth Stocks to Put on Your Radar

Description

Some pundits have become quite bearish in today's market. To paint the gloomy picture, here's a snippet of the market outlook from Brian Acker from *BBN* yesterday.

> "With inflation running 'hot' at 7-9% per annum the Federal Reserve has turned 'hawkish,' with ever-increasing interest rate hikes and what is known as 'quantitative tightening' of the Fed's balance sheet. This 'hawkish' approach and tough talk about further increases in short-term interest rates have caused some asset prices to experience some breathtakingly large reductions in valuation… 'Story' stocks have had punishing days where the 'story' doesn't seem so bright when the Fed takes away the 'punch bowl.' As spring turns into summer, only the Fed knows when enough pain is enough to substantially slow down inflation as the Fed possibly considers some 'dovish' language and potentially returning back to lower interest rates and 'quantitative easing' mode that produced increasing asset prices like in 2021."
> *Brian Acker, president, CEO, and chief investment strategist at Acker Finley*

If the market should experience further downside over the next months, investors should build positions in growth stocks that have a higher chance of a bright future ahead of them. Here are two proven growth stocks that investors can put on their radars.

Constellation Software stock

Many high-flying tech stocks that have lost substantial value in this market downturn are story stocks that have revenues but little to no earnings. **Constellation Software** (TSX:CSU) is no story stock. It has real earnings and a track record of growth.

In the past 10 years, it increased its earnings per share (EPS) by about 24% per year. There's nodoubt its M&A strategy played a key part in this growth. But management has also done an exceptionaljob on driving high returns on its assets. Respectively, its five-year return on equity and return onassets are about 47.7% and 10.5%.

The proven growth stock has dipped about 18% from its high. Analysts believe the stock is discounted by about 23% and has upside potential of approximately 30% over the next 12 months. Through the summer, investors should consider buying the solid tech stock for long-term growth.

goeasy stock

Consumer lender **goeasy** (TSX:GSY) is another proven growth stock you can count on. Canadians who can't borrow money by traditional means rely on goeasy. The company increased its EPS at a compound annual growth rate (CAGR) of roughly 29% in the past decade. During the period, it also raised its dividend per share at a CAGR of almost 23%. This is exceptional growth.

The TSX stock overshot to the upside in the post-pandemic market rally. And it has overshot to the downside in this market downturn. It now trades at a discount of about 19% from its long-term normal price-to-earnings ratio. But the 12-month analyst consensus price target suggests a more massive discount of about 47% in the proven growth stock.

Moreover, goeasy yields almost 3.4%. And its payout ratio is sustainable at about 31% this year. So, it's a solid pick that offers decent income while investors wait for long-term price appreciation.

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