Turn $1,000 Into $2,000 With Steady Growth Stocks

Description

Growth stocks have had a rough year. In fact, most have lost half their value in just the past few months. Despite this unfavourable economic climate, some companies are still seeing traction in their growth strategies.

Here are the top three growth stocks that could double their value relatively quickly.

Aritzia

Vancouver-based fashion retailer **Aritzia** (TSX:ATZ) has held up better than most retail and e-commerce stocks. Nevertheless, the stock has lost 34% of its value year to date. It's now trading at a price-to-earnings ratio of just 25.

That ratio is remarkably low for a company that delivered 123% in revenue in its most recent quarter. Adjusted EBITDA also surged 88% over the same period. This growth is being driven by the company's pivot to online sales and expanding footprint in the United States. In fact, sales in America doubled in this recent quarter.

Sales growth could slow down in the months ahead, but the stock seems to have already priced this in. If the company can sustain a 30% growth rate for the next few years, it could double its earnings by 2025.

Constellation Software

Software companies have been beaten down more than any other sector this year. Rising interest rates and an impending recession have made investors worry about valuations and retention in this sector.

However, **Constellation Software** (TSX:CSU) avoids much of this pain because roughly half its client base is government agencies. These clients are unlikely to cut their staff or spending even during recessions.

Meanwhile, Constellation's portfolio of software tools is too niche and essential to easily replace. The subscriptions are sticky enough to withstand an economic downturn. In fact, the downturn creates more acquisition opportunities for the serial acquirer.

This year, Constellation expects 20% growth in its free cash flows. If it can sustain this level of expansion, the company's earnings could double by 2026. The stock could rebound strongly before then.

Dollarama

Economic downturns change consumer behaviour. This shift is already being reflected in the retail sector. Ordinary families have cut back on non-essential purchases and the cost of fuel and food skyrockets.

These families are expected to shift spending to low-cost discount retailers like **Dollarama** (TSX:DOL). The company has already seen an uptick in demand. In its most recent quarter, the company reported a 12.4% jump in revenue. Net income surged from $113.6 million to $145.5 million during this period.

If this ongoing wave of inflation persists, Dollarama could see further upside in the year ahead. In fact, the company has recently announced that it will expand its product portfolio to products priced below $5. That gives it more room to expand margins and sales in the years ahead.

At its current pace of growth, net income could double by 2025. This could be the perfect growth stock to own during the ongoing wave of inflation.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DOL (Dollarama Inc.)

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