2 Undervalued Growth Stocks Poised for a Comeback This Year

Description

Undervalued growth stocks generally turn out to be extremely profitable for investors. Many companies with excellent fundamentals trade at a discount to their fair value from time to time. Looking backward, this becomes clear. However, hindsight is always 20/20. Finding these opportunities in the present — that's much more difficult.

Additionally, not all cheap stocks are great investments. The reason a stock has a depressed valuation can vary. Indeed, whether it's growth prospects that have diminished, reduced margins, or macro issues, stocks can see valuation contraction for good reasons.

That said, I think **Restaurant Brands** (TSX:QSR)(NYSE:QSR) and **Fortis** (TSX:FTS)(NYSE:FTS) are two top undervalued growth stocks right now. Let's dive into why.

Top undervalued growth stocks: Restaurant Brands

I've been of the opinion that Restaurant Brands has been undervalued for some time. Heck, at the $70-$80 level, this company was cheap.

Not too long ago, QSR stock was trading around $60 per share. While this purveyor of world-class fast-food chains has rebounded to the $67 level, there's a lot to like about how this company is positioned.

First, as a quick-service restaurant provider, the company's cash flows are very defensive. Indeed, if we are headed into a recession as everyone thinks, fast food will become more popular than steak. That's a key driver that's often overlooked by investors.

Second, Restaurant Brands's franchise-oriented business model is poised for long-term growth, while offering excellent margins. This has allowed the company to pay a very juicy dividend yield, which sits around 4.2% at the time of writing.

Fortis

Like Restaurant Brands, Fortis is very defensive. One of the largest utilities companies in North America, Fortis has expanded tremendously over time, aggregating a still-fragmented sector.

Over the long term, Fortis's earnings-per-share growth rate has sat around 7%. This has allowed Fortis room to raise its dividend consistently over time. In fact, among Dividend Aristocrats, Fortis is among my top picks. One of the key drivers for this is the company's nearly five-decade-long streak of dividend hikes.

Despite this historical performance, Fortis currently offers investors a yield of 3.5%. For those seeking meaningful long-term capital-appreciation upside along with excellent dividend growth, Fortis is a great choice.

Indeed, as part of a well-balanced portfolio, I think holding both these companies in a retirement account is a solid move. Anything can happen over the long-term. However, holding stocks with defensive attributes, significant yields, and growth potential (at a reasonable price) is a great way to grow one's wealth over the long term.

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2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:FTS (Fortis Inc.)
4. TSX:QSR (Restaurant Brands International Inc.)

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