2 of the Top Growing Stocks on Earth

Description

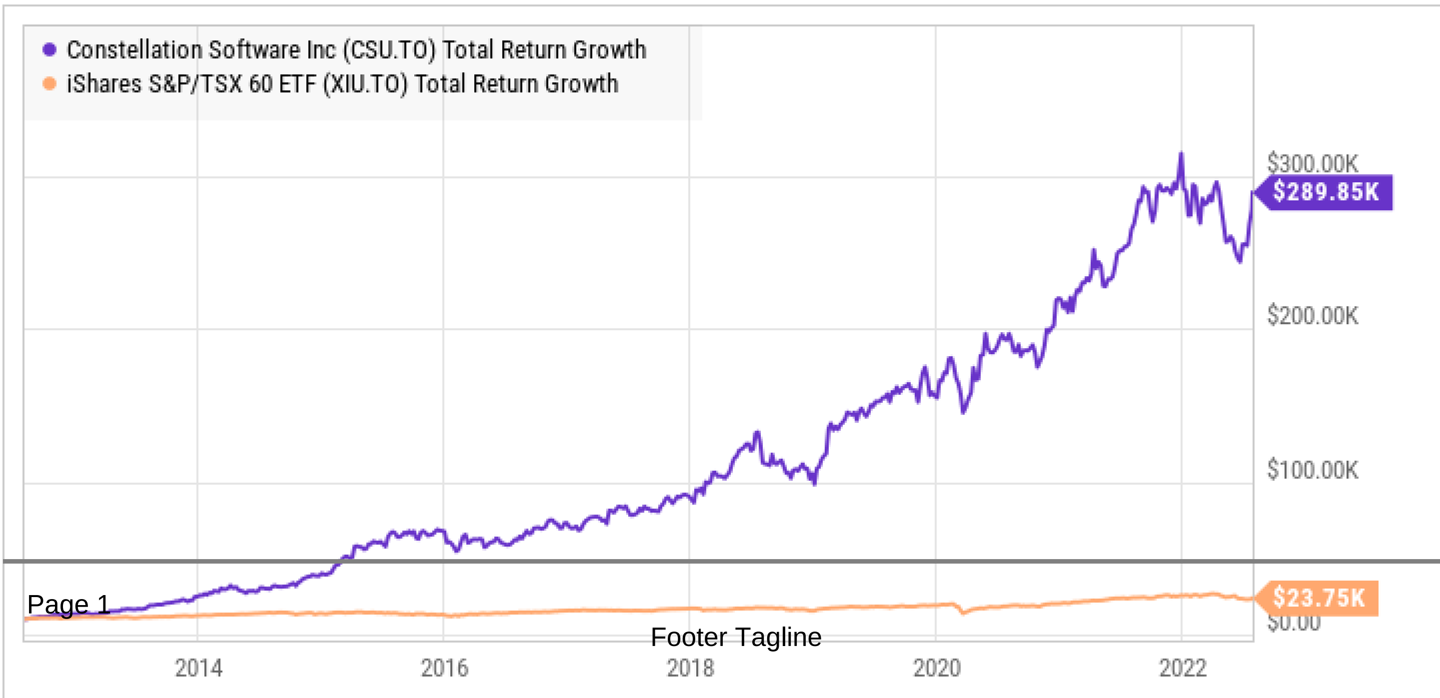
The top growing stocks on earth would have the following characteristics — top growth rates in revenues, earnings, and perhaps cash flows. Additionally, they should also be keeping a healthy balance sheet, which provides flexibility should they need to borrow (more) to spur growth.

Here are a couple of the top growing stocks on earth that you can check out.

One top growth stock in the tech sector

Many investors have thrown out growth stocks, including many tech stocks, from their portfolios. These tech stocks often had revenue growth but little earnings. **Constellation Software** (TSX:CSU) is not part of this group, which is why the tech stock has been relatively resilient in the tech sector bear market. In fact, capital has already rotated back into the stock, as it bounced 21% from its $1,800 low in June.

Constellation Software stock has outperformed the stock market returns over multiple time frames of one, three, five, and 10 years. The graph below shows total returns of an initial investment of $10,000 over a decade versus the Canadian stock market.



CSU Total Return Level data by YCharts

The company's recent growth remains exceptional. Its three-year growth rates are as follows:

- Revenue: 18.6%
- Adjusted earnings per share (EPS): 17.9%
- Operating cash flow per share (CFPS): 26.9%
- Free cash flow per share (FCFPS): 26%

Constellation Software's balance sheet is in good shape. Its current ratio was less than one (at 0.79) at the end of Q1, which may seem like the company cannot meet its short-term obligations. However, after taking out deferred revenues, its current ratio improved to 1.65, which is much healthier. Deferred revenues are goods and services that customers have already paid for but the company hasn't delivered. So, they're not money that the company owes.

Analysts believe the tech stock is discounted by about 14%. So, the outperformer remains a reasonable buy at current levels for long-term growth.

Another tech stock that could be a top growing stock

Converge Technology Solutions (TSX:CTS) has the potential to be a top growing stock. It has recovered about 19% from its low of $5 in June. Its revenue growth is in place, but it only became profitable, in terms of net income, last year. After all, the small-cap stock, which is less than six years young, is in its early stages of growth.

Here are some of its three-year growth rates:

- Revenue: 49.3%
- Operating income: 75.8%

The company seems to have carved out a nice niche for itself, providing a diverse range of tech solutions for mid-market clients, for which large-cap companies would not spend time acquiring because these clients would not move the needle for them.

A part of Converge's strategy is to acquire suitable businesses and expand its EBITDA margin. When the tech stock price was high, it was able to raise funds for the acquisitions via equity offerings. Because the stock has sold off substantially along with other high-growth stocks, it announced a $500 million global revolving credit facility on July 28.

It's able to gain access to this credit facility because it has maintained a strong balance sheet. Essentially, it has no long-term debt. At the end of Q1, its current ratio was 1.14. The current ratio improves to 1.20 if deferred revenue is taken out.

As a small-cap stock, Converge is perceived as a riskier investment than Constellation Software. Therefore, investors seeking high growth might consider a larger position in Constellation Software and potentially a smaller position in Converge (if at all).

CATEGORY

1. Investing
2. Tech Stocks

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