



1st-Time Investors: Now Is the Best Time to Buy 2 Growth Stocks

Description

Investing in the stock market can be intimidating. If you are here to generate wealth in the long term, growth stocks are where you should start. Growth stocks are companies that are expanding their size organically or through acquisitions. They are the ones that have an untapped market and the ability to grow revenue faster than earnings.

The role of timing in growth stocks

Growth stocks give returns to shareholders through capital appreciation. In simple words, your profit is the selling price minus the cost. Hence, timing plays a role in what your returns are in the short term. For instance, **Shopify**, the most popular growth stock of 2020 and 2021, gave more than 290% returns to investors who bought it at the March 2020 dip and sold it during the November 2021 peak.

Now, you can't time the market, but you can make an educated guess whether the stock is heading towards growth or decline. To make an educated guess, look at market sentiments, business environment, and the company's financials. Once you know a fundamentally strong growth stock is headed for a rally, invest small amounts every month. Regular buying reduces your cost and enhances returns during the rally.

Two growth stocks to buy now

Here are two growth stocks that proved they can rally in economic recovery:

- **Constellation Software** ([TSX:CSU](#))
- **Magna International** ([TSX:MG](#))([NYSE:MGA](#))

Constellation Software

In this digital age, [tech stocks](#) are preferred by growth seekers. The 2022 tech meltdown and the

market selloff have created an opportunity to buy the dip. One such stock is Constellation Software. It may look expensive, trading above \$2,000, but the company has never initiated a [stock split](#) or share buyback. This umbrella company grows through acquisitions of small vertical-specific software companies that enjoy stable cash flows. The management makes all acquisitions in cash, so if an acquisition fails, the loss is limited to the purchase price.

There is no constraint on the verticals or geographies, which leaves an open ground for Constellation to acquire several companies. A downturn is the best time for Constellation as it can acquire many of its targeted companies at a cheap price. Constellation accelerated its activity in the second quarter, completing acquisitions worth US\$1 billion, as tech stocks bottomed out after the tech bubble burst.

Constellation stock jumped 21% in the two-month rally after the April market downturn. This proves that the stock has the potential to recover with the economy. This is a stock to buy at the dip. It has fallen 5% in a week as the market corrects. Even if you buy one share, it could double your money in the long term, as it is a company with double-digit revenue growth, profits, positive cash flow, and lower debt.

Magna stock

Another stock that is worth buying the dip is auto components supplier Magna. In the second quarter, the company reported a loss, as the entire automotive industry suffered a huge setback from the pandemic and the chip supply shortage. But the supply issues are easing, and Magna slightly increased its 2022 revenue guidance to \$38.2 billion at the midpoint from the previous estimate of \$38.1 billion.

Tensions between Taiwan and China have stirred up fears of a supply shock in the chip industry. But the company has what it takes to rebound in a recovery. It has a strong order book for electric vehicles (EVs). Global EV sales are [expected](#) to increase at a compound annual growth rate (CAGR) of 24.5% during the 2022-2028 forecast period.

I am bullish on Magna because of this EV growth expectation. When it materializes, Magna's revenue could grow by strong double digits, and its stock price could surpass \$100 — 30% upside from the current trading price. Moreover, you can lock a dividend yield of 2.97%. The stock can grow throughout 2030, as the EV revolution gathers momentum.

Foolish takeaway

As a new investor, you might be intimidated if your stock price falls in the short term. But do not panic, as growth stocks are volatile and sensitive to news, but they grow in the long term. The above two growth stocks are buy-and-holds for the long term.

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:MG (Magna International Inc.)

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