2 Profitable Growth Stocks That Are in Bull Markets of Their Own

Description

Growth stocks have gotten a bad rap over the past year, with many speculative names leading the charge lower. Undoubtedly, the Nasdaq 100 got cut by a third at its worst, as high-tech stocks nosedived, sending shockwaves across various other parts of the stock market.

Though growth and tech could take a few more months before bottoming out and moving higher again, I think that new investors should continue to pay emphasis on profitable growers. Firms that are growing net income are still well worth the price of admission. Further, companies on the cusp of huge profitable pushes are also worth giving a second look, as rates continue to rise.

In this piece, we'll look at two profitable growth stocks that are pretty much in bull markets of their own making. They're at or near new highs, even as the S&P 500 flirts with a bear market once again this September. Though valuations may not be jaw-droppingly good, they still seem like a fair price to pay for the type of growth that investors should continue to flock to as rates approach 4% or even 5%.

Consider shares of **Alimentation Couche-Tard** (TSX:ATD) and **CP Rail** (TSX:CP)(NYSE:CP), two quality earnings growers that are just a hair away from hitting new highs.

Alimentation Couche-Tard

As rates continue their ascent, expect boring cash-rich, earnings-growth companies like Couche-Tard to continue leading the way on the TSX. The $60 billion retail kingpin has grown its bottom line via prudent organic growth initiatives over the years. Indeed, the firm that's known for wheeling and dealing hasn't been too active on the mergers and acquisitions front, despite its growing liquidity. It's reported that the firm could be in the market for a deal worth US$10-15 billion. That's a big deal, and it may not come so quickly, as Couche is willing to walk away if it can't get the price it desires.

Indeed, Couche-Tard is like Warren Buffett in that management knows the importance of getting great bang for your buck. Margin of safety is key to making value via acquisitions. Even if no deals happen in 2023, Couche has shown it's more than capable of growing on its own via fresh food and other margin-driving initiatives.

At the end of the day, Couche is a momentum stock with profits to show for it. The stock goes for 17.1 times trailing price-to-earnings (P/E) and is up over 17% over the past year. I expect more gains ahead, as the consumer staple looks to beckon in new customers with lower-cost private labels in a recession year.

CP Rail

CP Rail is another stock that's steadily chugged higher as markets melted down. Investors have a lot to be excited about over the next five years, as the rail giant looks to integrate Kansas City Southern. With a smart chief executive officer in Keith Creel and a knack for driving efficiencies, CP Rail may very well evolve to become the strongest railway in North America.

With $19.14 billion in net debt on the balance sheet as of June 2022, CP Rail has limited financial flexibility. Regardless, I think things will work out in the long haul, as the firm looks to make the most out of its new prized rail network. With such stable and growing operating cash flows, such high debt levels are more than forgivable.

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