Got $5,000? These 2 Growth Stocks Are Smart Buys

Description

Growth stocks lost appeal as investors turned risk averse amid rising interest rates and high inflation. Further, an uncertain economic environment continues to act as a dampener. While top TSX growth stocks could continue to exhibit higher volatility in the short term, the significant price correction presents an opportunity for long-term buyers.

So if you have $5,000 to invest for the long term, beat the market averages with these two growth stocks.

Cargojet

Cargojet (TSX:CJT) offers time-sensitive air cargo services. Thanks to the strong demand for its services, Cargojet has consistently delivered solid growth. Meanwhile, its stock outperformed the benchmark index by a wide margin. For instance, Cargojet stock is up about 151% in five years (despite the recent pullback) compared to about 20% growth in the **S&P/TSX Composite Index**.

It's worth highlighting that Cargojet's revenue increased by 13.4% in 2021. The company recorded stellar earnings growth. What stands out is the momentum its business has sustained in 2022 despite the normalization of e-commerce trends. Its top line increased by 44.5% in the first half of this year. Adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) and net earnings jumped 24.7% and 33.6%, respectively.

Its next-day delivery capabilities to most Canadian households, ability to retain top customers, contracts with minimum revenue guarantee, and fuel-efficient fleet continue to drive its revenue and earnings. Moreover, its long-term strategic agreement with DHL, Canada Post, and others augur well for growth. Also, Cargojet has strengthened its balance sheet and brought down its debt-to-EBITDA ratio below one, which is positive.

While Cargojet's fundamentals remain strong, its stock trades at a multi-year low valuation. Notably, Cargojet stock is trading at a forward price-to-earnings multiple of 16.8, which is at a five-year low, presenting an opportunity for buying. Meanwhile, a recovery in e-commerce demand and international expansion will accelerate its growth rate and support the uptrend in its stock price.

Aritzia

Clothing and accessories fashion brand **Aritzia** (TSX:ATZ) is a worthwhile growth stock to buy and hold for the long term. Its ability to deliver profitable organic growth and strong free cash flows provide a solid foundation for growth. This performance supports its stock price. Notably, Aritzia stock has grown at a CAGR (compound annual growth rate) of 26.6% in the last five years and delivered a return of over 226%.

Its top line has grown at a CAGR of 19% since 2018. Meanwhile, its adjusted EBITDA and adjusted net income registered a growth of 22% and 24%, respectively.

The strong demand and Aritzia's strategy to expand boutiques will continue to support its growth in the coming years. Going forward, these new boutiques will cushion its earnings and drive brand awareness. Aritzia has zeroed in on 100 locations in the U.S. market. The retailer clearly plans to expand its boutique base, which bodes well for future growth.

Further, its multi-channel offerings, product innovation, and expansion into new categories and geographies will support its organic sales. At the same time, cost control and a better pricing/mix will cushion margins and drive its stock price higher.

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2. TSX:CJT (Cargojet Inc.)

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