2 of the Strongest Growth Stocks in Canada

Description

Canadian growth stocks have been pummeled this year thanks to rising interest rates, recession fears, and a huge valuation reset suffered by the broader tech sector. Undoubtedly, investors hate growth right now, especially unprofitable growth. Though some of the harder-hit growth stocks have now gotten cut in half (some more than once), investors should be cautious before they dip a toe back into the growth waters with the assumption that rates on the 10-year note have peaked.

Canadians: Sticking with cheap growth stocks for 2023

Indeed, it's hard to predict the bond market, just as it's tough to forecast the stock market over the near term. The near term doesn't matter as much for new investors willing to stick it out for decades at a time, though. These day-to-day volatile moves could continue.

Consider **Alimentation Couche-Tard** (TSX:ATD) and **Constellation Software** (TSX:CSU): two growth studs to compound your wealth over time. The following TSX beaters have been huge winners that can continue doing so in the years to come.

Alimentation Couche-Tard

Couche-Tard stock is a bit of a weird one. It's a value stock, but it's capable of some pretty impressive earnings growth. The company also boasts a rock-solid balance sheet, with genius managers who know how to maximize value for its long-time shareholders. The top bosses are big investors themselves and they act like they're managing their own family funds.

You may know Couche as a convenience-store consolidator. The company has a history of smart deal-making. However, it's been very quiet lately. Despite the growing cash hoard, Couche knows that its liquidity is a source of strength in a higher-rate environment. Cash is king.

As recession moves in, Couche-Tard could make the most of every dollar, as it goes bargain hunting. Indeed, it took lots of patience to hold off on excessive mergers and acquisitions (M&A) in 2021. Now, with prices getting better, Couche-Tard is ready to go, and its stock is likely to keep on surging on the back of earnings growth.

At 16.3 times trailing price to earnings (P/E), the stock is too cheap. And its growth profile still seems misunderstood by a majority of investors. With such a modest multiple on a proven grower, I think U.S. investors may wish to make the trip up north for a shot at one of the better risk/reward scenarios in this market.

Nobody knows when Couche will pull the trigger on a deal. One has to think it's soon, though. Deals are getting better as this bear market drags.

Constellation Software

Constellation is another stellar growth company that's thrived at M&A. The software company focuses on the smaller-cap Canadian software market, with plenty of cash to help bring out the best in high-growth companies on its radar. Like Couche, Constellation only makes deals when there's value to be created over the long run.

With such a high-tech private-equity flavour and consistent earnings growth over an extended duration, it's no mystery as to why the stock's been (mostly) spared amid the 2022 stock market selloff, down just north of 7% year to date. At 70 times trailing P/E, the stock's a bit rich. However, I think the multiple is worth paying if you seek strong growth for the next 15 years and beyond.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:CSU (Constellation Software Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/09/26
Date Created
2022/12/05
Author
joefrenette