My 2 Favourite TSX Growth Stocks for 2023

Description

Many investors were scared out of growth stocks over the past year. Thus far in 2023, there have been few signs that suggest the tides are going to turn back in favour of the many speculative innovators that have fallen so quickly so hard. Undoubtedly, without a few rate cuts from the Bank of Canada (or a pause on rates at the very least), the unprofitable growth trade is unlikely to enrich too many this year.

As for profitable growth companies, I do think they're in a great spot, even going into a recession year. In this piece, we'll look at two TSX growth stocks that I think are primed for a rally, even if the broader TSX Index isn't yet ready to move on.

Restaurant Brands International

Restaurant Brands International (TSX:QSR) is a fast-food company that's really picked up traction in recent months. The stock is now up more than 42% from its 2022 lows. With inflation and economic pressures expected to hit hard and push consumers to save money, I think QSR has the means to power another leg higher, perhaps to $100 per share by year's end.

Undoubtedly, QSR hasn't been a market crusher in recent years. Tim Hortons is a brand that hasn't really taken off. Despite the turnaround plans, the brand may never evolve to become a main growth driver for the firm. Regardless, Burger King and Popeye's, I believe, are the reasons to hold QSR stock. Arguably, those two brands are among the most powerful in the industry.

While Tim Hortons dragged its feet, Popeye's made its presence felt, thanks to menu innovation. The Popeye's chicken sandwich is a menu mainstay and could continue to help the chain build loyalty as QSR continues to expand the chicken chain into new markets.

Meanwhile, Burger King could be on the cusp of becoming one of the top dogs again, thanks to a number of catalysts, including new hire Pat Doyle (he's a really bright guy) and investments to improve the customer experience. Burger King may have lost its crown in recent years. But I think it's en route to returning to the throne.

Alimentation Couche-Tard

Next up, we have **Alimentation Couche-Tard** (TSX:ATD), a Quebec-based convenience store operator with a reputation for producing value via M&A. Indeed, the pace of deal-making slowed in recent years. Looking back, it was wise for the firm to sit on its hands, even as its billions in cash grew. Nowadays, there are plenty of bargains as the bear market continues to claw away at valuations across the board.

As everything fell, Couche-Tard continued soaring, likely because the market knows Couche is in a position of power with its acquisitive capacity.

As valuations continue to fall in this market, Couche will be able to get more for its money. At the end of the day, a liquid balance sheet and global market abundant with bargains is where Couche wants to be. Despite flirting with new highs, the stock trades at less than 16.2 times trailing earnings, making it absurdly undervalued relative to other growth names out there.

Bottom line

I think it'll be hard to lose money in 2023 with ATD or QSR stocks at these valuations. Both companies are en route to improving, as the S&P 500 and TSX take a step back as GDP looks to sink at the hands of rate hikes.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

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Date
2025/08/16
Date Created
2023/01/12
Author
joefrenette