2 Top Growth Stocks to Buy for Beating the Market

Description

When I look for stocks that are capable of beating the market, I choose companies that have established a path for growth that others cannot easily replicate. This leaves me confident about the future, and I avoid sleepless nights. The following companies have created distinctive services in their industries that can generate high and sustainable growth rates.

Waste Connections

Waste Connections (TSX:WCN)(NYSE:WCN) is the third-largest solid waste company in North America, with about $6.7 billion in sales. This means it collects lots and lots of garbage. Geographically, the company earns 86% of its revenue in the U.S. and 14% in Canada.

Waste Connections targets secondary and exclusive markets rather than more competitive, large urban markets. This unique advantage allows the company to achieve higher operating margins than the competition. Operating in a recession-resistant industry is another benefit the company enjoys.

Revenue in the first quarter of 2019 rose by about 8.5% following a 6.3% increase in all of 2018. The gains were driven by price increases and acquisitions. A strong pricing environment and continued acquisition activity will continue to drive growth. Management believes that 2019 could be another year of outsized acquisition activity.

Already this year, the company has signed or closed acquisitions with annualized revenue of about $100 million.

Skyrocketing stock price

The company’s stock price has been rapidly increasing. It has significantly outperformed the S&P/TSX index over the last 10 years. Over this period, the stock gained almost 600% compared with about 140% for the S&P/TSX index. Over the last year, the stock is up almost 30% and it recently hit a new 52-week high, approaching $129. Waste Connections pays a dividend yielding about 0.6%. The company’s forward P/E ratio is around 30.

CargoJet

CargoJet (TSX:CJT), with about $450 million in sales, is Canada’s leading provider of overnight air cargo services. The company has a dominant market position in Canada and is the only cargo carrier with a national network reaching 90% of Canadians. It has a large range of customers and has established over 50 alliances or partnerships with world-leading carriers.

Revenue growth has been extremely impressive. In the first quarter of 2019, revenue rose by 11.3% following a 18.8% increase in all of 2018. CargoJet has a very bright future ahead of it because it benefits from the growing e-commerce trend. In addition, there is lots of room for the company to expand its services internationally.

High-flying stock price

The company’s stock price has been on a tear. It has gained about 400% over the last five years. Over the last year the stock is up about 30%, compared with about 2% for the S&P/TSX index. CargoJet also pays a dividend yielding about 1%. The company’s forward P/E ratio is high at around 45.

What to buy and when

I recommend buying both Waste Connections and CargoJet on market weakness. Both of these stocks have had a phenomenal run, recently reaching news highs. However, they could have gotten ahead of themselves, as evidenced by their high P/E ratios. Renewed market weakness may soon provide a buying opportunity for these stocks.

CATEGORY

1. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:CJT (Cargojet Inc.)
3. TSX:WCN (Waste Connections)

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