



Will These Top 3 Technology Stocks Soar in 2020?

Description

As the saying goes, historical performance is not a precursor to future success. That being said, high-growth companies in the technology sector have habit of outperforming year over year. In a bull market, growth stocks outperform. Although [signs of a recession](#) are creeping up, there has yet to be a full on market correction.

This year, a trio of Canadian technology stocks have stood out. Will they continue to outperform in 2020? Let's take a look.

Shopify

Since it went public in 2015, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been a perennial mainstay on the top stocks list. Since going public, the company's stock has shot up by 1,082%. In 2019, it has been much of the same. Between late August and the beginning of October, Shopify was mired in a mini correction. Since then, the stock has stabilized and is up 120% YTD as of writing.

This past week, Shopify reported strong third-quarter results. Although it missed on earnings, it beat on the top line, as revenue came in at US\$390.55 million. This was a 44.6% increase over the third quarter of 2018 and a sign that the company's [growth story isn't over](#). The company also hit an important milestone — it now has over a million merchants on its platform. Combined, they accounted for US\$14.8 billion in sales, up from US\$10 billion a year earlier.

On the back of strong numbers, the company raised full-year revenue guidance to US\$1.55 billion at the mid-range, up from \$1.495 billion previously. As an industry leader operating in a market with loads of room for growth, there appears to be no stopping Shopify over the short to mid-term.

Constellation Software

You'd be forgiven if you haven't heard of **Constellation Software** ([TSX:CSU](#)). The company intentionally flies under the radar. It stopped holding conference calls and provides little in the way of

details. It is a strategic move for the company and one that has paid off in spades. Whatever their secret sauce, it's working. Year to date, it is up 55%, and the company is among the top five performing tech stock on the TSX.

Constellation is a software provider that is engaged with developing solutions for both the public and private sectors. It has achieved its impressive growth through acquisitions. As a serial acquirer, it adds multiple companies a year to its growing portfolio. Over the past five years, the company has grown earnings by approximately 17% annually. Analysts expect much of the same with five-year expected growth rates in the mid-teens.

In its most recent quarter, the company grew cash flow and earnings by +20% on the back of "a number of acquisitions," for which it paid in cash. Outside its annual letter to shareholders, don't expect any more clarity than that. Management relies on trust from investors, and thus far they have earned that trust. There is no reason to expect this will change next year.

Descartes Group

Descartes Group ([TSX:DSG](#))([NASDAQ:DSGX](#)) is another tech company that doesn't garner much attention. One of the reasons for this is, the company has underperformed over the past few years. Not so in 2019, as the company's stock price is up 43%! Why is it outperforming in 2019?

Companies worldwide are clamouring for logistics help to navigate these uncertain economic times. With the myriad of tariffs in play, it is increasingly difficult to operate without a high-tech platform. This is where Descartes comes in, as its platform offerings include route planning, execution, telematics, and cargo security compliance, among several other key logistical services.

The company is growing revenue at a double-digit pace, and adjusted EBITDA has grown by 30% in the first half of fiscal 2020. The good times are expected to continue, as the dynamics of the current economic environment is expected to remain in a state of flux. Over the next five years, the expectation is for 20% annual earnings growth, and as such, it should remain a top tech stock for years to come.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:SHOP (Shopify Inc.)

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Date

2025/07/02

Date Created

2019/11/02

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