2 Canadian Growth Stocks to Buy and Hold for the Next Decade

Description

Tech stocks have been solid wealth creators south of the border. We've witnessed several growth stocks in the tech space generate market-beating returns in the United States over the last few decades.

While the **S&P 500 Index** is tech-heavy, a few Canadian tech companies are a household name. That said, the next decade might very well change this narrative. Several Canadian tech stocks are making the right moves and here we look at two such companies.

Lightspeed has more than doubled since IPO

Lightspeed POS Inc. (TSX:LSPD) went public in March 2019 at a price of $16 per share. The stock is currently trading at $41.65, indicating a return of 160% in just under a year.

LSPD has targeted small- and medium-sized retailers and is fast gaining traction in this market. It provides software, solutions and support systems to retailers and restaurants in North America and Europe.

These solutions include point-of-sale, inventory management, e-commerce, and analytics among others.

Similar to most growth stocks in the tech space, LSPD is also sacrificing profitability for growth. The company's cloud-based solutions are available in 100 countries and at 57,000 locations.

This expansion has resulted in solid revenue growth for LSPD. Analysts expect sales to grow by 54.4% to $119.6 million in fiscal 2020 and 48.3% to $177.35 million in 2021.

Driven by this robust growth, LSPD will also be able to expand profit margins. According to analyst estimates, its adjusted earnings per share is forecast to improve from -$5.53 in 2019 to -$0.41 in 2020 and -$0.24 in 2021.

Yes, the stock is trading at a premium valuation. Its market cap to sales ratio stands at 30, while the price to book ratio stands at 18, which means that the stock will be volatile in a downturn and will underperform markets in a sell-off.

However, looking at LSPD's total addressable market, rapid growth and product offerings investors would do well to hold the stock and consistently add to their positions at every major correction.

Kinaxis stock is up 46% in the last year

Shares of **Kinaxis** (TSX:KXS) have returned 46% in the last 12-month period. The stock went public back in June 2014 at $13 per share and has since gained a monstrous 723%. Kinaxis provides cloud-based subscription software for supply chain operations.

Its RapidResponse platform is a collection of these applications and also provides supply chain planning and analytics capabilities to optimize several operational processes such as demand planning, supply planning, inventory management, capacity planning, and order fulfillment.

Kinaxis has continued to expand its customer base that now includes giants such as **Honda, Ford, Unilever, Toyota,** and British American Tobacco.

Kinaxis is expected to grow sales by 25.9% to $189.8 million in 2019 and by 11.1% to $211 million in 2020, which means that the stock has a market cap to sales ratio of 15 and a price to book ratio of 15.1. Kinaxis stock is trading at a forward price-to-earnings ratio of 80.

While these metrics might be considered expensive, similar to other growth stocks, Kinaxis can create significant shareholder wealth over the long term.

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1. Investing

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2. TSX:LSPD (Lightspeed Commerce)

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