



3 TSX Tech Stocks That Skyrocketed This Week

Description

This week belonged to tech stocks. They have not shown any signs of weakening so far and continued their upward march recently. While the **TSX Index** increasingly looks exhausted on growing recession jitters, tech stocks seem even brisker, mainly after their first-quarter earnings.

Top TSX tech stock **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) reported yet another strong quarter, which drove the stock higher this week. Shares of **Kinaxis** ([TSX:KXS](#)), which makes software for supply chain solutions, soared almost 20% during the week. **Constellation Software** ([TSX:CSU](#)) also reported this week, and the stock rallied on strong quarterly numbers.

Top TSX tech stocks: Shopify

Shopify's solid first-quarter earnings further extended its stock surge this week. It reported a strong 47% revenue growth YoY (year over year) during the quarter. Driven by its recent rally, this TSX tech giant became the second-biggest valuable company in Canada with a market capitalization of \$118 billion.

Shopify has been significantly benefited by changing consumer behaviour in the last few years. The company got an even bigger boost during the lockdowns when small and medium businesses tried to improve their online reach to customers.

Shopify could continue its strong top-line growth for the next several quarters with its solid customer base and verticals expansion.

However, Shopify's valuation remains a big concern. It is trading 50 times its sales, which looks exorbitantly high at the moment. The valuation looks unjustified, even if the company continues its stellar financial performance for the next several quarters.

Kinaxis

A \$4.5 billion tech company Kinaxis reported quarterly earnings on May 6. Its first-quarter revenues increased by 15%, but net income declined by 7% YoY. Pandemic-driven lockdowns negatively impacted the company's bottom line during the quarter.

Kinaxis's hiccups could last for some more time while the pandemic dominates and impacts the global supply chain. This might affect its second-quarter earnings negatively.

However, there could be pent-up demand when the companies once again start setting up their supply chains after the epidemic wanes and lockdowns are lifted. Also, the company is fundamentally sound and [cash rich](#), which will likely help it emerge stronger after these challenging times. Its subscription model enables revenue visibility, which is a big positive for investors.

Kinaxis stock has surged more than 60% since last month. The stock looks extremely overvalued and thus, the upside from here could be limited. Conservative investors could wait and buy on the dips to avoid excessive oscillations.

Constellation Software

Constellation Software continued its consistent performance during the first quarter. Its [revenues](#) increased by 16%, while the net income grew by 21% YoY.

Constellation Software acquires small technology companies that have a leadership position in the niche segments. It develops customized software solutions for the public and private sector, with the former making up approximately two-thirds of its total revenues.

Constellation Software stock has almost doubled in the last five years. While broader markets are reeling under pressure amid the virus outbreak, top tech stock CSU has stayed notably strong and has surged 25% in the last three months.

Notably, CSU stock looks fairly valued, even after such a steep rally. It is currently trading at a price-to-sales valuation of seven times, which is much cheaper compared to peer TSX tech stocks.

Constellation Software looks poised for future growth given its unique business model. Its revenue visibility and diversified earnings base will bode well for long-term sustainable growth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:KXS (Kinaxis Inc.)
4. TSX:SHOP (Shopify Inc.)

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