



Soar Above Coronavirus With These 3 Canadian Growth Picks

Description

When many investors think of the **TSX** or Canadian stocks, the first thing that comes to mind may be energy, or financials, or materials stocks. This makes sense, as these three sectors are central to the Canadian economy and drive domestic stock market performance. Innovation and technology are often ignored.

This is due, in part, to a lack of high profile names aside from **Shopify Inc.** In this article, I am going to highlight three non-Shopify growth plays for investors to consider.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a new company that has ridden the wave of technology supremacy to this point. Compared to other software-as-a-service (SAAS) businesses in the tech sector, Constellation has a relatively sticky revenue stream. This company has large clients, including the Canadian government. Further, Constellation has a growth profile most companies would die for.

Constellation has grown mostly through acquisition. We could see this track record of accretive acquisitions continue in the near term. Companies will continue to be deeply discounted due to pessimism around deteriorating market conditions. There are some analysts who have pegged Constellations' growth potential for earning around 25% a year on a compounded annual growth rate (CAGR). This makes Constellation an excellent long-term buy-and-hold growth play on any future dips.

Lightspeed POS

For those who believe the economic recovery post-Covid-19 will be of the U-shaped variety, **Lightspeed POS** ([TSX:LSPD](#)) is a high-risk, high-reward way to play growth in the medium term. Being in the business of payment and point of sale solutions for small and medium sized enterprises (SMES), Lightspeed's sensitivity to economic events affecting SMESs, such as the coronavirus pandemic, makes it a prime candidate for a V-shaped rally trade.

I remain highly concerned about permanent long-term damage arising from this impending recession. But for those who are more bullish on a quick recovery, Lightspeed is a potentially lucrative trade at these levels. The company has recently completed a financing to shore up its balance sheet.

In addition, the company has done a lot of work on updating its POS systems to handle take-out orders. This strategic pivot combined with low monthly fees relative to other expenses make this company's product "stickier" than other highly sensitive fixed costs that SMES will be focused on cutting, in order to stay alive.

Open Text

Another Canadian software company, **Open Text Corp.** ([TSX:OTEX](#)), is a great option for investors seeking high growth at a reasonable price. This company has continued to report strong numbers despite recent events, due to the continued strength in the secular trend of cloud computing.

If anything, Open Text is one of the few companies out there that could grow out of this pandemic. This feat seems nearly impossible for every other sector. The company's recently announced partnership with Amazon Web Services makes me even more interested in [Open Text's growth profile](#).

In terms of Canadian technology growth options on the TSX, Open Text has become one of my top picks of late. The company's compounded annual revenue growth of 14% is approximately triple that of the TSX. Additionally, the revenue streams for Open Text come mainly (approximately 90%) from outside Canada, providing Canadian investors with geographical currency arbitrage and diversification.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

POST TAG

1. canada
2. coronavirus
3. POS systems
4. recession
5. technology

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:LSPD (Lightspeed Commerce)
3. TSX:OTEX (Open Text Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Tags

1. canada
2. coronavirus
3. POS systems
4. recession
5. technology

Date

2025/09/07

Date Created

2020/05/30

Author

chrismacdonald

default watermark

default watermark