



Got \$1,000? Buy These 2 Recent TSX IPOs for a Shot at Multi-Bagger Gains

Description

While I'd never encourage investors to chase the [hottest](#) momentum stocks at any given instance, I am an advocate of taking chances on those tough-to-value sexy stocks with a portion of one's portfolio, especially for [younger millennials](#) who have decades to make back any losses.

While I am a fan of riskier, more volatile growth stocks, I'm not at all a fan of speculating without conducting the proper due diligence beforehand. Sure, many early-stage growth stocks are hard to evaluate, with analyst projections across the board. But I'm a firm believer that investors should at least attempt to evaluate a firm's growth story to determine the magnitude of over- or undervaluation.

Most classic value investors I know would not even think about paying north of 20 times revenues for any firm, regardless of how compelling the long-term growth story is. While a 20 times sales multiple is excessive for just about any stock, it makes sense to value certain up-and-coming growth stocks on a relative basis if an intrinsic valuation isn't possible.

This piece will highlight two early-stage growth stocks that I believe are worthy of picking up today despite their alarmingly high price-to-sales (P/S) multiples. While each stock's P/S seems ridiculously high on its own, it may not be as excessive given its magnitude of forward-looking growth.

Without further ado, consider **Dye & Durham** ([TSX:DND](#)) and **Nuvei** ([TSX:NVEI](#))(NYSE:NVEI), two recent Canadian initial public offering that may be worth nibbling with an extra \$1,000 at today's levels. There's no question that many IPO investors stand to get burned given the boom-and-bust nature of recent IPOs and the lack of financial data that makes them difficult to value.

However, for younger investors who can afford to take risks, I'd say it can't hurt to get skin in the game with growthy under-the-radar firms in lucrative markets.

Both Dye & Durham and Nuvei recently had very successful Canadian IPOs, but relative to the IPO booms exhibited by recent U.S. IPOs, the hype was far more muted.

Dye & Durham

Dye & Durham is a cloud software provider that helps its clients (most of which are in the legal and finance industries) bolster their productivity and efficiency. The company sports a \$1.1 billion market cap, making it a compelling mid-cap growth play that could have the potential to post off-the-charts growth, as many other cloud stocks have in recent years.

Similar to many other cloud software names, Dye & Durham offers a product that adds tremendous value such that it essentially pays for itself. For example, Dye's software can help its finance clients mitigate various risks specific to the financial services industry. With a solution to many problems, Dye & Durham's product may be viewed as indispensable through its clients' eyes.

While Dye & Durham may be a tougher IPO to value, it's fair to evaluate the name of a relative to many of its value-adding cloud peers. At the time of writing, DND stock trades at 16.2 times sales, which is pretty low as far as cloud stocks are concerned. These days, mid-cap cloud stocks tend to trade well north of the 20 times sales mark, and I see few reasons why DND doesn't deserve to sport such a multiple.

Nuvei

Nuvei is a Canadian payments play that didn't deliver as big a splash as I thought it would when it landed on the **TSX Index**. The Montreal-based non-bank payments processor soared in its debut, minting its founder Phillip Fayer as a billionaire. Still, I think shares have a heck of a lot more room to run, especially considering that the firm — like Dye & Durham — looks pretty cheap with shares trading well below 20 times sales.

Shares of Nuvei recently picked up traction following its receipt of a sports betting license from Colorado's gaming division. The stock has since pulled back modestly (around 9%), opening up a buy-the-dip opportunity for investors hungry for a Canadian-grown payments play.

Looking ahead, e-commerce integration and mobile payments are a major source of growth. If the firm can keep up the growth as a publicly-traded firm, count me as unsurprised if NVEI stock doubles or triples within the next five years.

CATEGORY

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TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)
2. TSX:NVEI (Nuvei Corporation)

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