3 TSX Growth Stocks to Buy on the Dip

Description

The stock market continues to swing wildly in 2020 due to the COVID-19 pandemic, U.S. elections, and, most recently, the news of vaccine development by **Pfizer**. The S&P 500 and Dow Jones touched record highs on November 9, while the tech-heavy NASDAQ fell as investors booked profits in top-performing tech stocks.

We'll look at three growth stocks on the TSX that have lost momentum recently but remain top companies to buy on the dip.

Shopify stock is trading at a 20% discount

The first company is e-commerce giant **Shopify** (TSX:SHOP)(NYSE:SHOP), a stock that lost 13.5% on November 9. Shopify stock was one of the top performers on the TSX in 2020, as the pandemic acted as a tailwind for e-commerce companies.

Online sales accounted for 16% of total retail sales in the U.S. in the second quarter, up from just 11% in Q4 of 2019, as people were confined to their homes. Shopify almost doubled quarterly sales in Q2 and Q3, while its gross merchandise volume soared over 105% in the last two quarters.

In the September quarter, Shopify's net income also soared by 319% year over year, indicating high operating leverage. The company has forecast the total addressable market at US$78 billion, and given its expected sales of US$2.85 billion in 2020, it has enough room to grow the top line in the upcoming decade.

Despite Shopify's nosebleed valuation, Wall Street remains bullish on the stock and has a 12-month price target of US$1,119.3, which is over 20% compared with its current trading price.

A SaaS-based company

The second stock on the list is **Kinaxis** (TSX:KXS), a company that provides enterprise-facing cloudbased subscription software for supply chain operations in the U.S., Europe, Canada, and Asia.

Its RapidResponse product comes with supply chain planning and analytics capabilities that help manage several supply chain processes, including demand planning, inventory management, supply planning, capacity planning, and order fulfillment among others.

KSX stock fell 9.4% yesterday and closed trading at $191, which is 15% below its record high. The stock is still valued at a premium with a market cap of $5.2 billion. It has a forward price-to-sales multiple of 23.33 and a price-to-earnings ratio of 169.

However, these metrics are supported by the company's expected growth rates. Analysts tracking Kinaxis expect sales to rise by 16.3% to $223 million in fiscal 2020 and 15.7% to $258 million in 2021. Its earnings growth is forecast at an annual rate of 18% in the next five years.

A cargo carrier

Shares of **Cargojet** (TSX:CJT) fell 13.3% to $210 yesterday. This company provides time-sensitive overnight cargo services in Canada and has a co-load network between 15 cities in North America.

While the airline passenger sector has been decimated amid COVID-19, Cargojet has thrived and its stock in fact gained 135% in 2020, prior to the sell-off.

In Q3, the company's sales were up 38% year over year, while its adjusted EBITDA almost doubled. Cargojet said its average cargo revenue per operating day rose 60% helping it to report a 339% growth in free cash flows as well.

Over 75% of Cargojet's sales are backed by long-term contracts, allowing the company to generate stable cash flows across business cycles.

Cargojet stock is trading at $210.3. Comparatively, analysts have a 12-month average trading price of $262 for CJT stock, which means it can gain around 25% in the next year.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:CJT (Cargojet Inc.)
3. TSX:KXS (Kinaxis Inc.)
4. TSX:SHOP (Shopify Inc.)

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