3 TSX Growth Stocks to Buy for 2021

Description

When it comes to investing in equities, growth stocks have the potential to create massive wealth over the long term. For example, if you had invested $1,000 just after **Shopify** went public, the investment would have ballooned to over $40,000 in fewer than six years.

Growth companies have the ability to increase their revenue and earnings at a fast clip compared to the overall industry. This results in outsized gains for long-term investors. We'll look at three growth stocks on the TSX that should be part of your portfolio for 2021.

Docebo

The first stock on the list is cloud-based, enterprise-facing, e-learning company **Docebo** (TSX:DCBO)(NASDAQ:DCBO). Shares of Docebo have gained 400% since it went public to currently trade at $80.

Its stellar performance has meant Docebo stock is now valued at a market cap of $2.61 billion, indicating a forward price-to-2021-sales multiple of 24.

Similar to most other growth stocks, Docebo is also unprofitable, though it's expected to narrow its loss from US$0.49 per share in 2019 to US$0.06 per share in 2021. Analysts also expect the company to increase sales by 50.4% to US$62.33 million in 2020 and by 44.7% to US$90.22 million in 2021.

In its most recent quarter, Docebo's annual recurring revenue soared by 55%, while its average contract value rose by 24.6% year over year. At the end of Q3, Docebo's customer count was up 24% year over year at 2,025.

Nuvei

The fintech industry has been red hot in 2020, which meant shares of companies such as **Nuvei** (TSX:NVEI) have surged to record highs. Nuvei is a company that provides payment technology solutions to merchants all over the world. In Q3, Nuvei's gross transaction volume surged 62.5% year over year to $11.5 billion, while adjusted EBITDA was up 59% at $41 million.

Nuvei has now expanded its support in the crypto space and will also benefit from its focus on international expansion in the upcoming decade. According to a Bank of Canada report published back in 2017, cash transactions fell to 33% in 2017 — up from 54% in 2009. The value of these transactions also fell from 23% to 15% in this period.

Another report from MarketsAndMarkets showed the global payment processing solutions sector is estimated to grow to $120 billion in 2025, up from $74 billion in 2020, indicating an annual growth rate of 10%.

Dye and Durham

Another recent IPO that has been on fire is **Dye & Durham** (TSX:DND), a company that provides cloud-based software and technology solutions for legal firms as well as financial and government organizations.

Its cloud-based platform automates public due diligence searches and aids enterprises in document preparation. Dye & Durham is valued at a market cap of $3 billion and is trading at a forward price-to-sales multiple of 23. Analysts tracking the stock expect sales to rise by 97% year over year to $129 million in fiscal 2021 and by 57.6% to $203.54 million in 2022.

Comparatively, its loss per share is estimated to improve from $0.26 in 2020 to earnings of $0.73 in 2022.

The Foolish takeaway

All three companies mentioned here have gained significant momentum since their respective IPOs. Their market-thumping performance makes these stocks vulnerable in a broader sell-off. However, a correction in stock prices should be viewed as a buying opportunity by investors, making them strong bets over the long term.

CATEGORY

1. Investing
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1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. TSX:DCBO (Docebo Inc.)
3. TSX:DND (Dye & Durham Limited)
4. TSX:NVEI (Nuvei Corporation)

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