



The 3 Best Canadian Tech Stocks for 2021

Description

Most of the Canadian tech stocks delivered strong returns in 2020. Increased e-commerce spending and structural shift in the way we work, learn, and shop provided a solid base for growth last year. While technology stocks are looking expensive on the valuation front, I expect the momentum in a few to sustain in 2021.

I believe spending on e-commerce could continue to trend higher and exceed 2020 levels. Further, the positive secular industry trends provide a multi-year growth opportunity. We'll discuss three tech stocks that I believe are most likely to outperform the broader markets in 2021 and deliver higher returns.

Dye & Durham

Dye & Durham ([TSX:DND](#)) delivered exceptional returns in 2020. Thanks to the stellar demand for its products and offerings, its stock rose over seven times its IPO price. However, the fear of a stricter lockdown following the increasing COVID-19 cases in Canada weighed on its stock last week. Dye & Durham lost over 20% of its value from its 52-week high of \$53.68.

I believe the recent pullback in Dye & Durham provides an excellent entry point for investors eyeing high-growth stocks. Dye & Durham's challenges are transitory and are likely abate soon. Meanwhile, the company's strong fundamentals and strategic acquisitions are likely to push its stock higher.

Dye & Durham's large and diversified customer base and lower churn rate positions it well to deliver solid sales and EBITDA growth. Meanwhile, its large addressable market, geographical expansion, and robust M&A pipeline are likely to accelerate growth and support the uptrend in its stock.

Lightspeed POS

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock is in a sweet spot and could continue to benefit from increased e-commerce spending. I believe the structural shift towards omnichannel payment platform could continue to provide ample [growth opportunities](#) for Lightspeed.

As small- and medium-sized retailers and restaurant operators continue to migrate towards multichannel selling models, the demand for Lightspeed's payment platform is likely to remain high. Moreover, Lightspeed's expansion into newer geographies, focus on innovation, and product expansion positions it well to capitalize on the favourable industry trend.

While its base business remains strong, opportunistic acquisitions are likely to accelerate Lightspeed's growth further. Lightspeed stock has surged significantly over the past nine months, and the rally is likely to sustain in 2021.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) could be the biggest beneficiary of the increased [e-commerce spending](#) in 2021, thanks to its multichannel commerce platform. The company's diverse sales channel and robust shipping and fulfillment capabilities positions it well to expand its market share as small and independent businesses continue to migrate towards the omnichannel platform.

Shopify's gross merchandise volumes and revenues are growing swiftly, as the company witnesses increased traffic on its platform. Moreover, the trend is likely to sustain in 2021. Also, its improving operating leverage is encouraging.

The secular tailwinds, large addressable market, new product launches, and low-debt balance sheet provides a strong underpinning for growth. Shopify stock has significantly outperformed the broader markets over the past several years and could continue to deliver higher returns in 2021.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:DND (Dye & Durham Limited)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:SHOP (Shopify Inc.)

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