



2 Top Canadian Growth Stocks to Buy in 2021

Description

2020 was a challenging year for many Canadian stocks. Many much-loved **TSX** stocks are still trying to climb back to 2019 levels. Yet, there are reasons to be optimistic. First the vaccine is slowly, but steadily being deployed. Second, a new (potentially more bilateral) administration in the U.S. could bring some much needed socio-political stability to the world. Finally, there is significant pent-up demand for a return to normal (shopping, vacations, eating out) that could provide a nice economic boost in the late half of the year.

Optimism can fuel great returns

Of course, it will be a rocky journey to get there, with fits and missteps. Yet, the point is, we have to be optimistic and look to the future. One way, you can give 2021 a good start is by looking for [Canadian growth stocks of the future](#). By this I mean, look for Canadian stocks that have ample opportunity for growth in 2021 and beyond. Since I don't know how long the recovery will take, I'm looking for stocks that are operating full steam ahead- pandemic or no pandemic.

2020 winners should keep on winning in 2021

The first stock that meets this criteria to the core is **Lightspeed Pos** ([TSX:LSPD](#))([NYSE:LSPD](#)). This Canadian growth stock is one of the fastest-growing cloud-based point-of-sales (POS) providers. When the pandemic hit and many store-front businesses were forced to temporarily close, I thought this business was toast. 50% of its business came from restaurants, which are still impacted by recent shutdowns.

Yet, to my amazement, management turned it into a great opportunity. It quickly pivoted to help its merchants adapt to their circumstances. Its platform provides optionality to integrate online ordering and payments, delivery, customer interaction, and loyalty all-in-one. Consequently, Lightspeed's sales systems became a lifeline to merchants. As a result, it has seen a major uptick in demand.

The company has made some great recent acquisitions (at pretty decent prices too) that expand its

product offering and geographic presence. Similarly, it continues to advance its product offerings, including the recently announced supply chain feature (that helps merchants compete with larger rivals). The stock is not cheap here (42 times sales), yet it has all the features of [a great Canadian success story](#).

This new Canadian stock looks promising

Dye & Durham ([TSX:DND](#)) is a top Canadian growth stock benefiting from a classic Canadian roll-up strategy. Following in the foot-steps of **Constellation Software** or **Enghouse Systems**, DND has found a software niche, and is steadily consolidating it under one umbrella. From 2013 to its Initial Public Offering (IPO) in July, DND completed 14 acquisitions and nearly doubled its acquired EBITDA. That means that when it makes an acquisition it knows how to create efficiencies, synergies, and new opportunities to expand earnings.

DND's goal is to create a one-stop public records platform for law firms, governments, and financial institutions. Largely, the legal industry has yet to adopt and integrate cloud-based software into their operations. There is room for some massive disruption in the industry.

In its most recent quarter, this Canadian growth stock grew revenues and adjusted EBITDA year-over-year by 29% and 41%, respectively. It did have a large earnings loss, largely due to IPO costs and other one-time expenses. DND does have a fairly large amount of debt with around 3.9 times debt to EBITDA. Yet, this is somewhat insulated by a very sticky, subscription-based revenue stream (albeit, still a concern to be aware of).

Like Lightspeed, this stock is not cheap. It trades at 40 times trailing sales. Before going all-in, I would maybe wait a few quarters to see how its strategy and result roll out. Given the ample growth opportunities for this Canadian stock, I might consider dipping my toe if there is a significant stock pullback at some point.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:DND (Dye & Durham Limited)
3. TSX:LSPD (Lightspeed Commerce)

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