



These Are The Only 2 Tech Stocks You Need to Buy

Description

Growth investors may spend multiple hours each day looking for the next great growth stock. However, in some cases, the answer could be right in front of them. Sometimes, investors shrug off companies that have excellent growth prospects, because those stocks may have already run up quite a bit. However, this is the wrong way to go about it.

First, strong past performance is something that investors should be happy about. It shows that the company is capable of pleasing investors, which have been rewarded with outstanding growth. Second, the important factor to consider is determining how much of its total addressable market has the company already captured. If that company has grown 3,000% since its IPO but still only has 5% of its total addressable market, then the growth opportunity is still there.

In this article, I will discuss which two companies investors should focus on buying for their portfolios. Building up positions in these two tech stocks could set you up for life.

Don't get scared off by this company's past gains

When it comes to a Canadian tech stock with outstanding past gains, many should think of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). [Since its IPO](#), the company has gained more than 4,000%! Over the past year, Shopify has been red hot, gaining more than 150%. Because of these numbers, many investors have shied away from the company, insisting better growth opportunities are present in smaller companies.

E-commerce, as a whole, is still very much in its infancy. While many developed countries have been heavily relying on online shopping over the past year, this has not been the case for very long. In 2018, online sales only made up 3.4% of all retail sales in Canada. This number jumped to 11.4% in April 2020, as a result of the COVID-19 pandemic.

What is even more impressive is the fact that Shopify seems like it has been capturing much of the traffic in terms of online sales. Its merchants have been steadily growing since its IPO. Today, the company reports that more than 1,000,000 merchants use its platform. Because Shopify's business

model is like that of a toll booth (charging a fee for each transaction), it is safe to assume its total revenue will continue to grow as more consumers turn to online shopping.

This stock has outperformed the market for over a decade

The second tech stock that investors should consider for their portfolio is **Constellation Software** ([TSX:CSU](#)). As its name suggests, Constellation is [focused on acquiring small businesses](#) that lead their respective industries. Since its founding, Constellation Software has acquired more than 500 businesses.

Constellation Software is one of the most consistent outperformers on the **TSX**. Since its IPO, the stock has gained more than 8,600%! This represents an annualized growth rate of 39%. To put this into perspective, a \$10,000 investment in October 2007 would be worth nearly \$800,000 today. If you had invested the same amount into the TSX, your investment would have grown to just under \$13,000.

Constellation Software is still led by its founder, Mark Leonard. The company has continued to operate as it has since its inception. With a proven business model and a founder still heavily involved in company operations, Constellation Software should continue to grow at a rapid rate in the coming years.

Foolish takeaway

Investors spend a lot of time trying to find the next top growth stock. However, the right stocks are often right in front of us. Shopify and Constellation Software are two companies that have performed incredibly since their respective IPOs. Both companies are poised to continue growing over the next few years and should be shortlisted as the only two tech stocks Canadians should worry about adding to their portfolios.

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1. Investing
2. Tech Stocks

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TICKERS GLOBAL

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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