Hyper Growth Stocks: BlackBerry (TSX:BB) or Shopify (TSX:SHOP)?

Description

Everyone wants to invest in hyper growth stocks, but capitalizing on this strategy isn't easy. By the time growth heats up, valuation premiums can skyrocket. To succeed, you need to pick your chances carefully, without fear of being too early.

The two stocks below are your best bets when looking to grow capital as fast as possible.

Don't be afraid

Too many investors are afraid of being too early. But that's the risk you must assume if you want to compound capital at hyper growth rates.

Just take a look at **BlackBerry** (TSX:BB)(NYSE:BB). No, this isn't a smartphone stock anymore. Today, it's a pure play bet on cybersecurity software.

"Last year, BlackBerry booked zero revenue from physical goods," I recently explained. "Its sales base is now comprised completely of software and related services, the result of a multi-year turnaround effort. This company is currently a software pure play, and the market hasn't caught on yet."

The opportunity is clear. BB stock trades at 5.7 times sales. Competitors like **CrowdStrike** trade above 50 times sales. You can make nearly 1,000% in profit through valuation conversion alone.

Why is BlackBerry such a cheap growth stock? Because its growth hasn't actually started. Management spent years amassing an impressive portfolio of tech that will profit from some massive opportunities, including self-driving cars and the internet of things. For example, its Cylance division detects threats *before* they occur by using proprietary artificial intelligence networks.

The bet is simple: if growth trends upwards, expect the valuation multiple to skyrocket. This is a story that could persist for a decade or more. You just need to take your bets before the initial data comes in.

This growth stock is worth the premium

What happens when you buy an amazing stock later in the game? You get **Shopify** (TSX:SHOP)(NYSE:SHOP). Shares trade above 70 times sales! Just don't think it's too late to profit.

Let's look at the numbers.

"Shopify is currently valued at roughly $180 billion. **Amazon** has a valuation that's *ten times* higher," I wrote last week. "I expect that gap to converge over time. Why? Because Shopify is taking advantage of Amazon's strengths without needing to compete head-on."

Shopify has cracked the code to hyper growth. In many ways, its business model is actually *superior* to Amazon's.

"At first glance, Shopify isn't an Amazon competitor at all: after all, there is nothing to buy on Shopify.com. And yet, there were 218 million people that bought products from Shopify without even knowing the company existed," explains tech strategist Ben Thompson. "The difference is that Shopify is a platform: instead of interfacing with customers directly, 820,000 3rd-party merchants sit on top of Shopify and are responsible for acquiring all of those customers on their own."

Yes, SHOP stock is pricey, but when you zoom out, it's clear that the size of the company should eventually surpass $1 trillion. Platforms are usually winner-take-all markets, and Shopify has a hefty lead over the competition.

Of course, the biggest gains accrue to the earliest investors, but there's still years of runway left.

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Date
2025/09/14
Date Created
2021/04/17
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