



4 Top Canadian Growth Stocks to Buy in May 2021

Description

It has been a choppy year for Canadian [growth stocks](#). Worries about high valuations, interest rates, rising bond yields, and inflation have caused many Canadian growth stock to pull back in recent months.

Yet I encourage investors to look at the reasons why such growth stocks are highly valued. Often, they have massive societal tailwinds pushing growth, are well financed, have great management teams, and are, in essence, “doing all the right things.”

Sure, I am concerned about valuations. However, in a very low interest rate environment, they are not all dramatically overpriced. If you have a long-term time horizon, why not invest in the best? Considering this, here are four top Canadian growth stocks I find interesting in May 2021.

A Canadian e-commerce and payments leader

If you followed **Shopify's** strong quarterly beat last week, it's not hard to imagine that **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) could also present very strong results. This Canadian stock is quickly becoming a market leader in omni-channel point-of-sales solutions across the world. When the pandemic hit, I thought Lightspeed's largely retail and restaurant-based merchants would be crushed. However, the opposite has occurred.

Lightspeed has become a life saver for merchants. Its platform enables merchants to operate through multiple sales channels and keep business going through the pandemic. Lightspeed has made some great acquisitions over the past year.

Likewise, it is set to expand service offerings that should be very accretive in 2021. The stock has been growing revenues by over 30% prior to the pandemic. Last year, it grew by over 50%. Combine organic and acquisition growth, and this stock is set for some exciting opportunities in the years to come.

Two Canadian SaaS stocks worth a look for the long term

Constellation Software ([TSX:CSU](#)) has just pulled back after hitting an all-time high in early April. I think it presents a decent entry point. Certainly, this stock is not cheap. Yet, given its high-quality track record (a 2,580% total return over the past 10 years), historically any pullback has been a great buying opportunity. Certainly, due to the laws of large numbers, growth might be slower than in the past.

Yet management is getting very creative about compounding capital to accrete strong returns. It just IPO'd a smaller European-focused subsidiary called **Topicus.com**. As a smaller, up-and-coming Constellation-like business, that stock really has exceptional growth opportunities in Europe. If Topicus proves successful (at least as a stock it has done well so far), Constellation might push out further subsidiary spin-outs in the future.

Likewise, Constellation is now focusing on new market verticals and [larger acquisitions](#). While these may garner lower hurdle rates, the expected rates of return are still exceptional (ROIC of +20%). Consequently, this company still has a lot of running room. With this Canadian stock, you pay up for a great balance sheet, strong recurring revenues, and a high free cash yield. In return, you can expect a compound-growth machine for years ahead.

A new Canadian IPO stock

Telus International ([TSX:TIXT](#))([NYSE:TIXT](#)) is another new growth stock that Canadians ought to have on their radar. After its IPO in February, the stock has come off. Yet lately, the stock has started to show signs of momentum. Considering the great earnings results presented by some of its largest customers like **Alphabet**, I think TIXT will benefit from similar tailwinds.

TIXT provides digital customer experience services and solutions. The company just acquired a leading business in artificial intelligence and data annotation. This provides an edge in services and also growth opportunities.

Last year alone, TIXT grew revenues by 55%. Yet, unlike many American tech unicorns, it is also very profitable and free cash flow generative. I don't think the market has fully recognized the quality of its services and operational platform. As a result, this top Canadian growth stock looks attractive today.

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1. NYSE:LSPD (Lightspeed Commerce)

2. NYSE:TIXT (Telus International)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:TIXT (Telus International)

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Author

robbybrown

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