2 of the Best High-Growth Canadian Stocks to Buy on the Dip

Description

High-growth Canadian stocks took another massive hit to the chin this week, with the tech-heavy Nasdaq plunging around 3% to kick off the trading week. It was a continuation of the souring of growth stocks we witnessed in the first quarter of 2021. Once again, growth stocks are taking a backseat to value. But this time, U.S. 10-year Treasury note yields aren't surging uncontrollably, as they did in the first quarter.

Undoubtedly, many investors are throwing in the towel on their best high-growth stocks in anticipation of higher rates, which, I believe, could turn out to be a mistake, as many high-growth firms could continue posting blowout numbers to justify their seemingly high valuation metrics.

Don't count high-growth Canadian stocks out yet

Don't ignore those incredible earnings results. They've been pretty stellar for many high-growth companies. While higher-growth companies will stand to face the most damage if rates were to ascend above the 2-2.5% mark, they'll also stand to gain the most if rates either stabilize, retreat, or ascend modestly, as blowout earnings continue.

In this piece, we'll have a look at two high-growth Canadian companies I'm tempted to load up on after the latest round of selling, which may or may not propel us back into correction territory.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) investors did not seem too unimpressed by the latest round of stellar earnings results. It wasn't just a solid beat for Shopify; it was another blowout, and I was pretty shocked to see Shopify stock surrender the big post-earnings gains as quickly as it did.

That's the kind of market environment we find ourselves in right now.

High-growth Canadian stocks are being punished regardless of the magnitude of their beats. Investors don't seem to care how big the beats are this earnings season. They'll sell simply because high growth has fallen out of favour, as investors brace themselves for surging rates.

Investors seem extra worried about peak growth in Shopify, with the great reopening underway. We've heard "peak growth" in Shopify many times in the past. Every time, Shopify has risen to the occasion, defying the odds and topping expectations thanks to its exceptional stewards.

With guidance muted and the bar now lowered, I think far too many investors are heavily discounting Shopify's abilities to leapfrog over coming quarters. It's never a good idea to bet against Shopify, and this time will probably be no different.

Dye & Durham

Dye & Durham (TSX:DND) had a successful but relatively quiet Canadian IPO last year. Shares of DND more than tripled to its peak in February 2021 before pulling back 27% to $38 and change, where the stock currently sits today.

Dye isn't just another cloud-based software developer; it's a firm that's carved out a pretty nice niche for itself within the legal and corporate compliance field. Like other SaaS (software-as-a-service) plays, Dye & Durham provides a value-added service that's quickly becoming a must for clients who seek to maximize efficiency and productivity.

As you'd imagine, the high-growth Canadian stock isn't cheap at over 30 times sales (that's sales, not earnings). Relative to its incredible growth rate (71% top-line growth averaged over the last three years) and other richly valued SaaS companies in the states, though, Dye is a bargain despite its seemingly frothy multiple, which, I believe, doesn't tell the whole story.

With shares pulling back alongside the broader basket of tech stocks, I'd look to get in, because if there's a firm that can grow into its high multiple, it's Dye & Durham — one of the lesser-known, underappreciated cloud stocks out there right now.

CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:DND (Dye & Durham Limited)
3. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Stocks for Beginners
3. Tech Stocks

Date
2025/07/28
Date Created
2021/05/12
Author
joefrenette