AMC and GME Are Tumbling, But These TSX Stocks Could Still Make You a Millionaire

Description

The meme stock frenzy has recently started showing its ugly side. Popular stocks like **GameStop** and **AMC Entertainment** have almost halved in value since last month. Interestingly, both these are still trading at sky-high levels as against last year. However, those who got in in May or June this year just because their neighbours suggested it, or because they were inspired by social media posts, could be sitting on enormous losses.

AMC and GME stocks slide

Very few entered the meme stock mania without understanding the underlying risks. The rally in most of these stocks was fueled by social media popularity and was not backed by fundamentals. The immense volatility risk was prominent, which very few paid attention to.

It makes sense to go after growth stocks if you have an aggressive risk appetite. Consider a top growth stock **Shopify** (TSX:SHOP)(NYSE:SHOP). It has been one of the top millionaire-maker stocks on the streets for years.

It has managed to grow its revenues by 67% compounded annually in the last five years. Notably, such a steep financial growth effectively seeped into its market performance as well.

SHOP stock has returned more than 110% on average since 2016. If you invested $25,000 in SHOP five years ago, you would have accumulated close to a million-dollar today.

Importantly, it still has a long way to go. It caters to just a small portion of small- and medium-sized businesses. For instance, Shopify earned total revenues of around US$3.4 billion last year, while its total addressable market is valued at US$153 billion, indicating a huge growth potential. After **Amazon**, it stands second with close to 9% market share in the U.S. retail e-commerce sales.

Shopify will likely continue its handsome growth in the future as well. Its growing merchant and product base should play well for its financial growth for the long term.

Are you really comfortable with the volatility?

Now, betting on high-growth stocks like Shopify is a better risk/reward proposition compared to GME or AMC stocks. Its growing addressable market and steep historical growth underline the long-term potential.

Another high-growth stock in the Canadian markets that offers a favourable risk/reward proposition is **Constellation Software** (TSX:CSU). It has returned 40% on average since 2011, way higher than the **TSX Composite Index**. Tech stocks generally deliver market-beating growth driven by their high-margin business models and growing markets.

Constellation Software's unique business model has been behind its superior growth all these years. It purchases smaller tech companies that have a leadership position in their particular markets. Its client base includes commercial businesses as well as government and related parties. CSU's net income has increased by 12%, compounded annually in the last decade.

Bottom line

It's not prudent to expect that these two stocks will repeat historical performance in the future. However, they could still deliver superior growth driven by fundamentals. Growth stocks like SHOP or CSU will take relatively lesser time to build a handsome reserve for your later years. This is where taking a high risk can pay off.

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Date
2025/07/08
Date Created
2021/07/15
Author
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