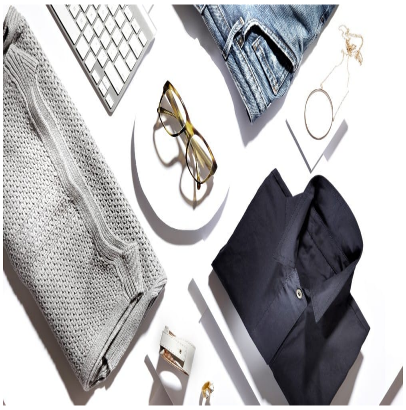

Shopify (TSX:SHOP): Should You Buy the Top Canadian Growth Stock Today?

Description

The first half of 2021 was rather unkind to Canadian growth stocks, especially those hyper-growth, speculative technology stocks that sported nosebleed valuations. Just like that, and 10-year note yields are back on the descent, and growth stocks are leading the upward charge. Many beaten-down growth stocks are now well above their highs before the first-half rolling correction dragged down higher-growth names.

Undoubtedly, acting as a contrarian when pessimism was at a high point turned out to be highly profitable. As the momentum returns to the sexy growth stocks, though, should investors who bought on weakness take some profits off the table before the next uptick in inflation and bond yields? Or could COVID-19 variants of concern (like Delta) keep rates lower, the Fed at bay, and growth stocks elevated?

That's the billion-dollar question that nobody has the answer to. If rates stay at these low levels, then sure, Canadian growth stocks look severely undervalued here, even at all-time highs with high double-digit price-to-sales (P/S) multiples. On the flip side, if rates start climbing again, the pressure on growth stocks could have the potential to be as pronounced as the first half of 2021.

Canadian growth stocks

Do understand the downside risks before punching your ticket to Canada's top growth stocks as they heat up again. In this piece, we'll have a look at a high-growth, high-multiple name that I believe will be much higher in two to three years, regardless of where rates and growth stocks head from here.

Yes, unprofitable speculative stocks will be in the crosshairs of the next rolling correction if rates climb back towards the 2% mark. At the same time, companies like **Shopify** (TSX:SHOP)(NYSE:SHOP) are likely to keep on swimming ahead, even as the market waters get that much rougher.

Those white-hot shares of Shopify were up 3.2% on Tuesday, adding to the solid gains posted a day prior, when the broader **TSX Index** plunged. The stock now finds itself up 39% year to date and 53% from its May lows to just shy of $2,000 per share. As always, the valuation is frothy at north of 50 times sales — a multiple that could easily prove to be too low if rates stay where they are right now.

Shopify tests the $2,000 mark

Shopify is an e-commerce powerhouse that needs no introduction. It's Canada's largest company, and it has found ways to continue climbing in spite of temporary setbacks. Sure, it'll be tough for the firm to match its 2020 performance. It probably won't, and management already gave investors and analysts a heads up.

With plenty of growth runway in the small- and medium-sized business (SMB) arena and plenty of growth verticals to take advantage of, including payments, I think it's still not too late to be a buyer of Shopify stock over the long term. If the company plays its cards right and rates stay lower for longer, Shopify could more than double over the next four years.

Do be ready for a bumpy ride, though, with the occasional 20-40% pullback. As the old saying goes, the higher they rise, the further they have to fall.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. 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. Tech Stocks

Date
2025/07/27
Date Created
2021/07/22
Author
joefrenette