



3 Top Tech Stocks to Buy in August

Description

Canada's top tech stocks are crushing it in 2020. Releasing stellar earnings and rising in the markets, they're enriching investors at a rapid pace. If you had bought a diversified basket of **TSX** tech stocks at the beginning of the year (through the **XIT** ETF), you'd be up 23.2%, compared to just 15.8% for the TSX. That's significant out-performance. And if earnings continue to be good, then the outperformance may continue.

Just recently, Canada's biggest tech company released its earnings for the second quarter, and they beat analyst expectations on every metric. In this article, I'll explore that stock along with two other TSX tech stocks worth grabbing in August.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is Canada's [biggest tech company](#). In fact, it's Canada's biggest publicly traded company by market cap. The company is doing over \$1 billion in revenue every quarter and growing sales at 56% year over year. Its most recent quarter was a huge win, beating on both revenue and EPS. Sales were \$69 million higher than analysts expected and EPS beat by \$1.28.

There was some deceleration in the picture (growth was 56% compared to 97% in the prior-year quarter), but keep these base effects in mind. Astronomical growth in the base quarter is very likely to be followed by *some* deceleration in the current one, so 56% is still a pretty good growth rate. Despite beating expectations, Shopify shares slid after earnings, so now is potentially a good time to buy SHOP on the dip.

Lightspeed POS

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is another eCommerce company like Shopify. Much like Shopify, it provides infrastructure for companies to run online stores and accept online payments. Unlike Shopify, its original business was not eCommerce. It actually started off as a retail POS company, and that's still what it styles itself as.

However, in 2020, the company's eCommerce offerings saw a surge in adoption as businesses went online to cope with COVID-19 lockdowns. Its most recent quarter was a huge win, with revenue up 127% and gross transaction volume (GTV) up 76%. The company reports its next quarterly earnings on August 5, so keep your eyes peeled—we're going to get a sneak peek at how this company is performing very soon.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a Canadian tech holding company run by venture capitalist Mark Leonard. It owns a portfolio of medium-sized tech companies that mainly work with government and enterprise clients. Leonard seeks to acquire smaller companies with established revenue and grow them over time. It's a strategy that has worked out well, as CSU has risen over 10,000% since its 2006 initial public offering.

CSU's [most recent quarter](#) was somewhat disappointing. It did achieve 23% revenue growth, but earnings were negative. The \$175 million net loss was mostly due to a non-cash fair value loss on preferred shares. Net income would have been \$86 million—up 3.6%—without that non-cash charge.

It definitely wasn't CSU's best quarter, but it was not as bad as it looked at first glance. And CSU is releasing its next quarterly report on August 5, so we'll get to see whether it can swing back to solid profitability in short order.

CATEGORY

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TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:SHOP (Shopify Inc.)

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