The 3 Best Canadian Growth Stocks to Buy Today

Description

Year to date, the **S&P/TSX Composite Index** is up more than 15%. It's been a strong year for Canadian investors, even more so for those invested in growth stocks.

The top growth stocks on the TSX may require investors to pay a premium, but market-beating growth potential does not come cheap. If you can stomach the risk and volatility, the Canadian market has no shortage of high-flying tech stocks with multi-bagger growth potential written all over them.

Here are three top growth companies that should be at the top of your watch list right now.

Lightspeed

The Montreal-headquartered company **Lightspeed** (TSX:LSPD)(NYSE:LSPD) is one of the most expensive Canadian stocks around. The $15 billion company is trading at a lofty price-to-sales (P/S) ratio above 50.

At a valuation that high, volatility in the near term should certainly be expected. There are a lot of expectations for the tech company to continue growing revenue at a torrid rate. Any signs of significant deceleration in revenue growth could see the stock drop considerably.

Lightspeed reported a blowout quarter earlier this month. Revenue came in at $115 million for the company's fiscal 2022 Q1. That was good enough for year-over-year quarterly growth of 220%. Management also mentioned that it served more than 150,000 customer locations in the quarter spread across 100 countries.

Shares are up 40% year to date and more than 500% since it joined the TSX in March 2019.

Shopify

One of the few growth stocks trading in the same range as Lightspeed is **Shopify** (TSX:SHOP)(NYSE:SHOP). The $230 billion company is trading at a P/S ratio close to 60. It's Canada's largest company, but also one of the most expensive.

The tech company reported its 2021 Q2 earnings in late July. Quarterly revenue growth was above 50%, but that wasn't nearly enough to impress investors. Shares were trading down a couple of percentage points on the day Shopify reported its earnings last month.

A return to retail shopping and the uncertainty surrounding the COVID-19 pandemic have Shopify management expecting a deceleration in revenue growth this year. Management commented that its expecting revenue growth to slow in 2021 compared to 2020, which is partly to blame for the selloff after the growth stock reported its earnings.

Considering the growth stock's valuation, it's no surprise to see shares sell off after its recent earnings report. But if you're a long-term investor, a company valued above $200 billion that is still growing quarterly revenue at a rate above 50% should be at the top of your watch list.

Constellation Software

If Lightspeed and Shopify are too richly valued for you, **Constellation Software** (TSX:CSU) may be a better fit. The growth stock trades today at a much more reasonable forward price-to-earnings ratio of 40.

It's not exactly cheap, but considering the growth it has put up in recent years, it's a bargain. Shares of Constellation Software are up close to 300% over the past five years and has been more than a 25-bagger over the past decade.

Growth has understandably begun to slow for Constellation Software, but the company is still a leader in the Canadian tech space. The tech stock has put its strong balance sheet to use by acquiring smaller companies across a wide range of industries, which has allowed it to be a consistent market beater for years.

I'd bank on Lightspeed and Shopify to outperform Constellation Software over the next decade, but I'd also expect a bumpy ride. If you're instead looking for a less-volatile growth stock with market-beating potential, Constellation Software belongs in your portfolio.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. ndobroruka

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date
2025/08/14
Date Created
2021/08/19
Author
ndobroruka