2 High-Growth Canadian Stocks Still Worth Buying at Highs

Description

Just as the 52-week low list doesn't indicate undervaluation, the 52-week high or all-time high list doesn't suggest overvaluation. Undoubtedly, a name at its high may be one of many traits that point to an extended valuation, but in many cases, an expensive stock is expensive for a reason. It's either been performing very well of late, or its underlying fundamentals have improved drastically, warranting a re-evaluation of the long-term thesis and the reward of a richer multiple.

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In some cases, the richer multiple may not be rich enough to justify the fundamental improvements or catalysts that could be on the horizon. Indeed, growth stocks tend to be higher-stakes plays, but they should be bought for those who can handle the bumps in the road that inevitably occur over time.

Buying high-growth Canadian stocks on strength

In this piece, we'll have a look at two high-growth Canadian stocks at fresh new highs that I'd be inclined to scoop up, even after their recent upside surges. While buying on a pullback would be ideal, given the "buy low, sell high" strategy, I'm not so sure investors will get a chance should the markets look to close off 2021 with even more gains.

As such, I'm not against nibbling into a half or quarter position right now. Buying low and selling high isn't the only way to make money in markets. In some cases, buying high and selling even higher can be equally as rewarding.

Without further ado, consider **Descartes Systems Group** (TSX:DSG)(NASDAQ:DSGX) and **Constellation Software** (TSX:CSU), two underrated Canadian tech stocks that are winners and poised to continue winning for the long haul.

Descartes Systems

Descartes is a $9.2 billion technology company that produces cloud-based software to help firms improve their supply chain and logistics performance. Undoubtedly, the COVID-19 crisis has devastated the global supply chains of many firms, while also making logistical issues that much more challenging.

As one of few firms benefiting from COVID-19 disruptions, investors should strongly consider Descartes, if not as a growth play, as a hedge against a worsening of COVID's impact on supply chains worldwide.

Sure, Descartes may have been dealt a good hand. But let's not take anything away from its stellar management team. They've made the most of the favourable conditions and have consistently clocked in quarterly earnings beats. Indeed, analysts have had to chase the name, raising their targets for quite some time. Moving ahead, I expect more of the same. The stock trades at 18.9 times sales and 100.9 times earnings. That's not cheap, but in this market, you've got to pay for quality growth.

Constellation Software

Constellation is another Canadian tech company worthy of a core holding in any long-term portfolio. The company acquires and manages software businesses. It tries to make the most of every acquisition it makes, and the strategy has produced meaningful alpha over time.

Undoubtedly, Constellation is pretty close to a venture tech fund. And its managers have proven that they can create value from early-stage software companies that could use Constellation's expertise and funds.

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The stock hasn't just handsomely beat the market over the past five years, with over 282% in gains. It's also done so in a reasonably smooth fashion, exhibiting a lower beta (currently 0.75). Constellation is the epitome of a smart beta stock, and it's still ripe for picking up, even here at new highs.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)

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