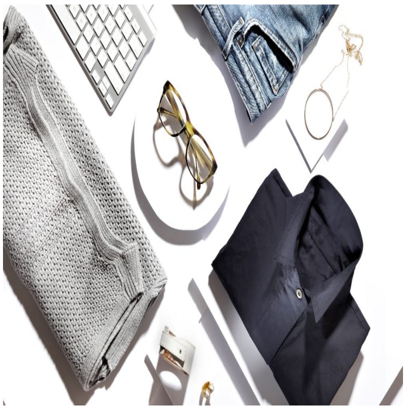

2 High-Growth TSX Stocks to Watch in October

Description

It has been a volatile fall in the stock market. Yet, the recent dip in **TSX** growth stocks looks interesting today. Certainly, since September there has been a preference in the market for cyclical and energy stocks.

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Many commentators are worried about the effects of rising bond yields on the valuation of higher-growth stocks. Of course, it is something to monitor. Yet, many of the fastest-growing TSX stocks are enjoying favourable trends and fundamentals that should far outlast any short-term economic factor.

While valuations are high, many of these businesses have incredible platforms and growth opportunities that won't abate any time soon. Any weakness in these stocks is a great opportunity for investors willing to buy and own these stocks for years ahead. Here are two TSX stocks I would watch in October and add on any weakness in the market.

Aritzia: This Canadian growth stock just blew estimates out of the water

Aritzia (TSX:ATZ), a popular Canadian clothing retailer, just came out with some spectacular quarterly results on Wednesday evening. Sales grew nearly 75% from last year to $350 million. That was up 45% from pre-pandemic results as well. Likewise, adjusted EBITDA grew to $72 million, doubling its pre-pandemic level! It produced a very nice 20% adjusted EBITDA margin.

The most amazing part is that it did this through pandemic lockdowns, supply chain challenges, and increased spending on distribution infrastructure. Results exceeded the market's expectation and this TSX stock has shot up 16% after the earnings release. With a market cap of $4.4 billion and an enterprise value-to-EBITDA ratio of 21, it is a bit pricey today. I would wait for some weakness before buying.

Yet, it has a great founder-led management team (with lots of skin in the game), a strong e-commerce platform, a large addressable market in the U.S. and internationally, and a cash-rich balance sheet to execute its growth plan. What more can an investor ask for in a TSX stock?

Shopify: The largest stock on the TSX (for a reason)

With **Shopify** (TSX:SHOP)(NYSE:SHOP) worth $218 billion, it has the largest market capitalization of any stock on the TSX. Despite pulling back nearly 5% in the past month, it still continues to be one of Canada's most expensive stocks. Yet, time and time again, this company has outperformed the market's expectations. For the past five years, it has grown revenues and EBITDA by a compound annual growth rate (CAGR) of 64% and 237%, respectively!

Next to **Amazon.com**, Shopify has one of the most complete e-commerce merchant ecosystems and omnichannel platforms, giving it a strong defense against competitors. The company focuses on small vendors and merchants, but it is increasingly gaining traction with larger organizations as well.

Likewise, with quarterly revenue hitting over $1 billion, Shopify is reaching the scale where spending is dropping and more free cash flow is ending up on the balance sheet. Consequently, with over $7 billion in cash, this TSX stock has tons of optionality on where to invest next. It will announce third-quarter results on October 28, 2021.

As per usual, I think it could exceed the market's expectations. If so, current investors could see a nice pop-up, just like Aritzia saw yesterday. The current price weakness may be a great opportunity to buy this TSX growth stock for the long term.

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