



## Here's My Top Canadian Stock for October

### Description

We're in a choppy market this October. Following a strong selloff in September, stocks have been up and down in a volatile period for both Canadian and U.S. equities. In this kind of environment, you never know what's going to happen.

One thing is certain, though: tech stocks are a lot cheaper than they were a few months ago. The September selloff hit tech especially hard, with the NASDAQ falling over 5% for the month. As a result, there are many opportunities to buy the dip in tech stocks.

There is one stock in particular that I consider a worthy dip buy in October. A tech stock that has previously gone as high as \$2,070, it now trades for just over \$1,700. In this article, I will explore that stock in detail and outline why it's a top pick for October.

### Shopify

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is Canada's most successful tech stock, and the largest Canadian company by market cap. It went public for around \$37 and trades for \$1,741 at the time of this writing. It has been an incredible run. If you 'dinvested \$10,000 in SHOP on its IPO date, you'd have a nearly \$500,000 position today.

### Why I like it

It's one thing to note that a stock has enjoyed historically strong performance but quite another to establish that said performance will continue. SHOP stock trades at a nosebleed valuation of 200 times adjusted earnings, 70 times GAAP earnings, and 44 times sales. A stock like that needs a lot of growth to justify its high price tag.

So, why do I like it?

Put simply, there are many reasons to believe that its strong growth could continue into the future.

In the four quarters from Q2 2020 to Q1 2021, SHOP delivered revenue growth above 90%, In Q1 2021, [the growth rate was a phenomenal 110%](#). In Q2, that slowed to 56% — so there was some deceleration. However, this was only deceleration compared to 2020. It was actually a faster growth rate than in pre-COVID quarters, when growth was averaging around 45%. The COVID-19 pandemic [actually benefited Shopify](#), because it led to a surge in online shopping. If the COVID-era online shopping frenzy continues, then SHOP's growth will continue to be high.

Of course, with the pandemic waning, consumers have more retail options at their fingertips than they had in 2020. Still, SHOP has a number of tailwinds that it benefits from right now:

- Strong secular growth in e-commerce sales
- Partnerships with TikTok and other social media giants
- A number of high-profile celebrities and brands using SHOP to power their stores
- And much more

With these winds at its back, SHOP can't help but grow. So, while we might see continued deceleration in the third quarter, the growth will still be respectable.

## Earnings coming soon!

If you've been wondering whether Shopify can continue its growth into the future, you don't have to wait much longer.

SHOP will be releasing its third-quarter earnings on October 28. In the release, investors will get to read all the usual metrics they expect (revenue, earnings, etc.) along with operational metrics pertaining to the post-COVID era. It will be a highly watched release, so keep your eyes peeled. It might have a big influence on how SHOP performs for the rest of the year.

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1. Investing
2. Tech Stocks

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