2 Growth Stocks to Watch for 2022

Description

There are many great growth stocks that have been sagging into year-end. Still, with rate hikes likely in the cards over the coming 18 months, there's a chance that some of the faster-growing high-multiple Canadian stocks could continue being on the receiving end of a potentially isolated sell-off, similar to the one experienced through the first half of 2021.

While many Canadian growth stocks are more than worth picking up on recent weakness, one should prepare to add to their position gradually over time. The higher such growth stocks rise, the more room they could have to the downside, especially if the 10-year U.S. Treasury note makes a move back to the 1.8-2% range.

In this piece, we'll have a look at two resilient growth stocks that may be worth nibbling gradually over the next year or so. Enter **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Aritzia** (TSX:ATZ), two very high-quality growers that may be able to outgrow any pressures aimed at high-multiple names going into 2022.

Shopify

Shopify is a magnificent SMB (small and medium-sized business) e-commerce player that still has room to run. With incredible management that continues finding new ways to grow, Shopify is the type of stock that growth investors wouldn't want to take profits in, even as its valuation continues swelling toward new heights. Indeed, Shopify exhibits many similar traits to the mega-cap tech titans that have continued sustaining high growth rates and multi-bagger returns over years and decades.

While SHOP shares will occasionally suffer from a 20-50% plunge, such plunges tend to be relatively short-lived, as the company tends to surprise its way to a timely recovery. SHOP stock has never been cheap, and it probably won't ever be, as long as it continues raising the bar on its growth. The stock trades at 44 times sales after a modest pullback below $1,900. The dip is likely a buyable one for investors keen on getting more growth in their portfolios despite the recent pressures facing them.

Aritzia

Aritzia is a retailer that may have considerable pricing power, allowing investors to better fight off higher inflation. The U.S. expansion has gone well. As the company continues pushing further down south, the potential sales growth could easily beat expectations, causing analysts to chase the name after the fact.

Indeed, the management has done an incredible job of building a brand that's found appeal beyond the Canadian borders. I believe the company can continue executing as it opens up more stores, further solidifying its position as one of Canada's best omnichannel retailers. While broader discretionary spending could grind to a slowdown, I wouldn't be quick to throw in the towel on Aritzia. It's a well-run retailer, and, like Shopify, its stock can't be held down for very long.

The stock trades at a mere 3.9 times sales and 56.4 times trailing earnings. For a retailer, Aritzia isn't the cheapest in the world. But I do think the firm's good growth profile is worth paying an even higher multiple for. Only time will tell if Aritzia can continue its sales growth momentum. Given rising affinity for its brand, though, I think the odds are heavily tilted on the side of investors.

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