



RRSP Investors: 2 Growth Stocks That Could Double by the End of 2022

Description

An RRSP, or [Registered Retirement Savings Plan](#), is a registered account that allows Canadians to grow their savings with significant tax benefits. You can hold investments across asset classes, including equities, bonds, as well as mutual funds in your RRSP account.

You can contribute up to 18% of your income towards the RRSP, which lets you lower your tax bill. So, if you earned \$100,000 in 2021, you could contribute \$18,000 towards your RRSP, which will lower your taxable income to \$82,000.

As it's an account established to help you save for retirement, it makes sense to hold investments that will help you outpace inflation rates. Here, we'll look at two growth stocks you can buy right now that have the potential to double your investment within the next 12 months.

Shopify

A Canadian tech giant, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has returned over 4,000% to investors since its IPO in 2015. The [ongoing tech selloff](#) has dragged SHOP stock 40% lower from all-time highs, allowing you to buy the dip.

Shopify has increased sales from US\$1.07 billion in 2018 to US\$2.92 billion in 2020. The COVID-19 pandemic acted as a massive tailwind for e-commerce platforms, including Shopify, that accelerated revenue growth.

The uptick in the top line enabled Shopify to report an operating income of US\$90.15 million in 2020 compared to a loss of US\$141 million in 2019. Similar to most tech stocks, Shopify has an asset-light model, which suggests a small increase in sales should lead to a steep increase in profitability. In the last 12 months, Shopify sales rose to US\$4.2 billion while operating income stood at US\$366.7 million.

Shopify increased Q3 sales by 46% year over year to US\$1.1 billion. Comparatively, its GMV, or gross merchandise volume, rose by 35% to US\$41.8 billion in the September quarter. The GMV is the total value of transactions spent on Shopify's platform. Shopify's GMV in the last 16 months stands at over

US\$200 billion, showcasing widespread adoption of its robust platform.

Analysts expect SHOP stock to touch US\$2,090 in the next 12 months, which is 100% above its current target price.

StoneCo

A company valued at a market cap of US\$4.7 billion, **StoneCo** ([NASDAQ:STNE](#)) has increased revenue from US\$320 million in 2018 to US\$634 billion in 2020. Shares of STNE are down 83% from all-time highs, making it the perfect contrarian bet at current prices.

StoneCo is a Brazil-based company that provides a range of fintech solutions to small and medium enterprises. In Q3 of 2021, its revenue rose by a stellar 57.3% year over year. However, an increase in the cost of goods sold as well as rising operating expenses meant adjusted net margin stood at just 9% compared to the year-ago figure of 30%,

Analysts tracking the stock expect sales to rise by 33.3% to US\$845 million in 2021 and by 70% to US\$1.44 billion in 2022. Its adjusted earnings per share are also forecast to improve from US\$0.09 in 2021 to US\$0.54 in 2022, suggesting the margin compression is likely to be temporary.

STNE stock is valued at a forward price-to-2022 sales multiple of 3.3 and a price-to-earnings multiple of 28.7, which is very reasonable for a high-growth company.

Analysts expect STNE stock to more than double in the next 12 months.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:STNE (StoneCo Ltd.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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