

## 2 Growth Stocks I'm Buying Over Shopify (TSX:SHOP) Today

### Description

Just this week, **Shopify** (<u>TSX:SHOP</u>)(<u>NYSE:SHOP</u>) once again experienced another crushing drawdown of about 20%. It has been a tough go for Shopify shareholders as of late. Its stock is down 47% this year. It is down 56% since the middle of November 2021. Unfortunately, it appears that the curse of the highest valued company in Canada (that is not a bank) has come back to haunt Shopify.

# Bank stocks have replaced Shopify as Canada's most valuable businesses

**Royal Bank of Canada** and **Toronto-Dominion Bank** have once again retaken their long-term thrones at the top of the **TSX Index**. Certainly, recent stock market reactions have been drastic and blunt. Steam has been leaking out of many of the world's highest-growth, highest-valued stocks. Even after its rapid decline, Shopify still trades at 25 times sales and 163 times forward earnings. Certainly, it is still not cheap.

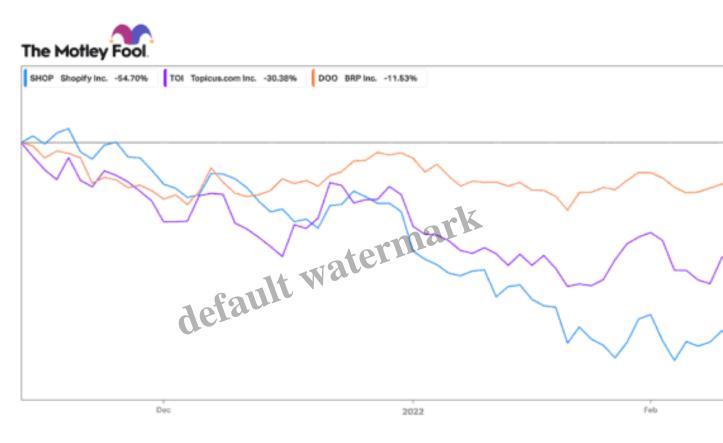
## Strong 2022 results for Shopify

Despite the decline, Shopify delivered stellar fourth-quarter and <u>year-end results</u>. Revenues in the quarter increased 41% to \$1.38 billion. That largely beat analysts' expectations. For the year, the company grew revenues 57%, and net income rose 10 times above the prior year. It was an exceptional year! Yet investors were disappointed by a tempered outlook for 2022.

Frankly, that shouldn't be a surprise. The pandemic was a major tailwind for e-commerce platforms like Shopify. A more normal retail environment will likely taper e-commerce demand to some extent. Yet that really doesn't take away the quality of Shopify's platform and its long-term growth potential. Chances are good Shopify stock is reverting to its mean trajectory, which is probably healthy.

## Two stocks I'd buy over Shopify stock

While I really like Shopify's business, I will probably continue to watch it. The TSX remains volatile, and Shopify stock still has an elevated valuation. A better entry could still be forthcoming. In the meantime, two growth stocks I am picking up right now are **Topicus.com** (<u>TSXV:TOI</u>) and **BRP** (<u>TSX:DOO</u>)(<u>NASDAQ:DOOO</u>).



# Topicus.com

Topicus.com is a new entrant to the **TSX Venture Exchange**. It was spun out of **Constellation Software** early last year. Unlike Shopify, Topicus.com focuses on acquiring a wide array of vertical market software businesses in Europe. Like Shopify, this stock it has been growing revenues quickly. Last year, it grew revenues by 50%. It grew revenues organically by 8%.

In 2021, it acquired €338 million worth of niche software enterprises. Considering tech valuations have declined in 2022, it could be set to acquire even more businesses this year. The company had a lot of accounting noise this quarter, but I expect its earnings and cash flow picture should clear up nicely as 2022 progresses. For a smaller company replicating Constellation Software's model, this is a great stock to own.

# BRP

BRP is not a software "technology" stock. However, technology is a vital part of its product portfolio. It is one of the world's leading manufacturers of snowmobiles, all-terrain vehicles, and watercraft in the world. Like Shopify, BRP's stock has delivered strong returns for investors. Over the past five years, this stock has delivered a compounded annual return of 30%.

This stock has pulled back recently over supply chain worries. Yet, BRP has been investing in further manufacturing capacity for 2022. Likewise, it expects to introduce a huge selection of new products this year. Lastly, this stock is ultra-cheap. Despite very strong growth ahead, it only trades for 9.5 times earnings. On a growth-to-value basis, this is a top stock, and that's why I'm buying it over Shopify today.

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- 1. Investing
- 2. Tech Stocks

#### POST TAG

1. Editor's Choice

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- 5. TSXV:TOI (Topicus.Com Inc.)

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2025/07/05 Date Created 2022/02/18 Author robbybrown

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