2 Growth Stocks That Can Accelerate Your Retirement in 2022

Description

The primary reason for investing your hard-earned money is to secure a comfortable life in retirement. Generally, a majority of your savings should be allocated toward exchange-traded funds that track indexes such as the **S&P 500**. Here, you get exposure to the largest companies south of the border. Over the last six decades, the average returns of the S&P 500 have been around 10%, allowing you to outpace inflation rates easily.

However, for those with a higher risk profile, investing in quality growth stocks such as **Dye & Durham** (TSX:DND)and **Roku** (NASDAQ:ROKU) can help you generate outsized gains over time. In the last six months, growth stocks have lost considerable momentum and are available at lower valuations. The equity market is expected to remain volatile in the near term making these stocks solid contrarian bets right now.

The bull case for Dye & Durham

Valued at a market cap of $2 billion, Dye & Durham provides cloud-based software and technology solutions to legal firms, financial institutions, and government organizations in Canada, the U.K, Australia, and Ireland. DND offers software solutions for due diligence, securities filings, litigation, and practice management. The company aims to streamline and automate access to public records and support end-to-end legal transactions.

In fiscal Q2 of 2022, which ended in December, Dye & Durham reported revenue of $109.6 million, an increase of 225% year over year. The revenue growth was attributed to recent acquisitions that closed in the last 12 months. Its adjusted EBITDA of $62.6 million rose by 267% compared to the year-ago period.

Analysts tracking DND stock expect sales to rise by 131% to $482.3 million in fiscal 2022 and by 30% to $627 million in fiscal 2023. Its earnings per share are forecast to touch $1.25 compared to a loss of $0.72 per share in fiscal 2021.

We can see that DND is trading at a forward price to 2023 sales multiple of 3.2 and a price to earnings multiple of 22.7 which is quite reasonable. Bay Street analysts expect the stock to more than double in the next 12 months, given consensus price targets of $61.

The bull case for Roku

One of the largest players in the streaming space, Roku's stock is down 73% from all-time highs and is valued at US$17.3 billion, by market cap. Roku ended 2021 with 60.1 million accounts with an average revenue per user of US$41.03 in the last year, an increase of 43% year over year. However, investors were disappointed as the company's revenue growth decelerated to 33% in Q4 and is forecast at 25% in Q1 of 2022.

Roku derives a major portion of revenue from digital advertisements. Further, every time a user subscribes to an online streaming platform such as **Netflix** or **Disney**, Roku is paid a percentage of this fee. Most digital content platforms also pay Roku for premium slots on the user's home screen.

The shift toward online streaming will a key secular tailwind for Roku. Its ad-driven platform has already increased sales by 70% each year in the last four years. The company is forecast to increase sales by 34% to US$3.72 billion in 2022 and by 30% to US$4.82 billion in 2023.

We can see that ROKU stock is valued at a forward price to sales multiple of 4.8 and is trading at a discount of 56% to analyst estimates.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:ROKU (Roku)
2. TSX:DND (Dye & Durham Limited)

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