1 Top TSX Stock That's Ready to Bounce Back in 2022

Description

Many growth stocks across the TSX delivered market-crushing returns in 2020 following the COVID-19 market crash. Despite the **S&P/TSX Composite Index** losing more than 30% in a single month in early 2020, growth investors that managed to remain in the market for the entire year were rewarded.

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Last year was a mixed bag for investors. The Canadian market as a whole ended the year up a staggering 20%. At the same time, plenty of top Canadian growth stocks, particularly in the tech sector, ended 2021 at a loss.

Investing in a volatile market

One of the few consistencies in the stock market throughout the pandemic has been volatility. Since early 2020, almost all types of investors have, at one point, felt the pain of dramatic price swings. Whether you've been investing in high-growth tech stocks or Dividend Aristocrats, it's been hard to completely escape the high levels of volatility over the past two years.

I'll certainly admit that it's not easy to remain committed to your investments when volatility is spiking. On the plus side, volatility creates buying opportunities. And right now, the TSX is full of high-quality businesses that are trading well below all-time highs.

I've reviewed a top TSX stock that's been beaten down in recent months. I've got it high up on my watch list today. I strongly believe that it's only a matter of time before the company is back to all-time highs.

Shopify

Not so long ago, **Shopify** (TSX:SHOP)(NYSE:SHOP) was Canada's largest company — by a landslide. Today, the tech company is half the size of the TSX stock that currently holds the number one point.

Shopify has already seen its stock price get cut in half in 2022, trading roughly at the same place it was 12 months ago.

High-growth tech stocks have been punished recently. And as one of the most expensive companies on the TSX, Shopify is definitely feeling that pain.

The business itself has not fundamentally changed during the stock's skid. The market opportunity for Shopify continues to be a massive one and revenue continues to grow at a torrid rate. In addition to that, management continues to be focused as ever, reinvesting aggressively back into the business to fuel growth.

If the business is firing on all cylinders, what explains the selloff? Valuation is certainly one culprit. Shopify has been an expensive stock ever since it joined the TSX. It's done an admirable job justifying its steep price tag as a public company, but investors are now witnessing that volatility is one very real risk of investing in high-priced growth stocks.

Even with a 50% pullback, Shopify is still trading at a price-to-sales multiple of close to 20. But for a business the size of Shopify that's still growing year-over-year revenue growth at a rate above 50%, investors should absolutely expect to pay a premium.

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Foolish bottom line

Shopify likely won't be considered a cheap investment anytime soon. But if you've been waiting for it to be trading at a much more reasonable price, this is your chance. It's still an expensive stock, but there are very good reasons as to why it trades at such a high multiple.

If you can handle the volatility, now's an excellent time to start a position in one of the world's top tech companies.

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