2 Top Growth Stocks to Buy Today!

Description

Most tech indices are trading in the red due to a spike in inflation rates, which is bound to drive interest yields higher this year. So, companies will be impacted by tepid consumer demand, which will hurt revenue growth. Further, higher interest rates will also drive profit margins lower.

However, the pullback allows long-term investors to buy quality growth stocks at a discount. Here, we'll look at two such stocks that have the potential to outpace the broader markets in 2022 and beyond.

Kneat.com

A small-cap company valued at $250 million by market cap, **Kneat.com** (TSX:KSI) designs, develops, and supplies software for data and documents management in Canada, the U.S., and other international markets. It's a high-growth SaaS (software-as-a-service) company that digitizes validation for life sciences companies.

Kneat.com sales have risen from just $1.3 million in 2018 to $15.5 million in 2021. Comparatively, its stock price has increased by 472% in the last five years.

In Q4 of 2021, Kneat.com more than doubled sales to $6.3 million, while SaaS revenue increased by 167% year over year to $3 million. Its gross profits increased by 177% to $4.4 million, indicating a gross margin of 71%, up from 54% in the year-ago period.

The company's sales in 2021 increased by 109% on the back of a net revenue-retention rate of 245%. The NRR shows existing customers increased spending on the Kneat.com platform by 145% in the last 12 months.

Kneat.com ended 2021 with a customer base of 48, which includes a majority of the top 20 biopharma companies in the world.

Analysts tracking the stock expect sales to rise by 51% to $23.4 million in 2022 and by 47.5% to $34.54 million in 2023. So, KSI stock is valued at a forward price-to-2022-sales multiple of almost 11, which is quite steep for a company that's still unprofitable.

However, Bay Street has a 12-month average price target of $4.72, which indicates an upside potential of 45%.

Etsy

Shares of **Etsy** (NASDAQ:ETSY) are trading 52% below all-time highs, valuing the company at US$19 billion by market cap. Despite the significant decline in value, Etsy has returned over 400% to investors since its IPO in April 2015.

One of the largest niche marketplaces for handmade products and crafts, Etsy is popular among online shoppers looking for unique items.

The company ended 2021 with 5.3 million active sellers who have listed over 100 products on Etsy. Its large catalog allowed Etsy to increase gross merchandise sales volume by 150% since 2018, which is 200% above the e-commerce growth rate in the United States.

The ongoing pandemic acted as a massive tailwind for Etsy, as its stock rose from US$32 in March 2020 to US$308 in November 2021. It's currently trading at $143. Etsy is well poised to drive sales higher given the company's GMV accounted for less than 3% of online spending across product categories.

Analysts expect Etsy stock to increase by 19.4% to US$2.8 billion in 2022 and by 21% to US$3.36 billion in 2023. Comparatively, its adjusted earnings might rise at an annual rate of 40% in the next five years.

We can see that ETSY stock is valued at a forward price-to-sales multiple of 6.8 and a price-to-earnings ratio of 40, which is not too steep, given growth forecasts. Wall Street expects ETSY stock to gain by 50% in the next 12 months.

CATEGORY

1. Investing
2. Tech Stocks

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1. NASDAQ:ETSY (Etsy)
2. TSX:KSI (kneat.com inc.)

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