1 High-Growth Stock Down 77% That Could Make You a Millionaire

Description

High-growth stocks are continuing to witness a sharp correction in 2022. A big selloff in Canadian high-growth stocks started around December last year with rising concerns about continued supply chain disruptions and most growth stocks being overvalued. However, this selloff in growth stocks — especially tech shares — accelerated further in the coming months, as surging inflationary pressures raised the possibility of multiple interest rate hikes in the near term.

In addition, broader market weakness due mainly to increasing geopolitical tensions and fears of a recession in the near term is continuing to pressurize growth stocks in June.

Top TSX growth stocks to buy

The market selloff might look horrifying to short-term investors and traders. For long-term investors, however, it could be an opportunity to buy some fundamentally strong high-growth stocks at a big bargain. Doing so could help investors generate outstanding returns on their investments in the long run. Let's look at one of the best high-growth stocks from the tech sector that is currently trading with heavy losses but still has the potential to multiply your money fast in the coming years.

A massive growth stock from tech sector

Shopify (TSX:SHOP)(NYSE:SHOP) has arguably been the most popular Canadian growth stock from the tech sector, which has now become one of the most beaten-down stocks in 2022. It lost the title of the biggest Canadian publicly traded company by market cap in January this year after a massive selloff in some high-flying stocks drove it downward. SHOP stock currently has a market cap of about $53.5 million as it trades at $423.84 per share. It has seen 77% value erosion in the last 52 weeks.

What went wrong with this growth stock?

With the help of the COVID-driven temporary demand surge, its total revenue jumped by 85.6% YoY (year over year) in 2020 to around US$2.9 billion. As the pandemic-related tailwinds gradually subsided, its revenue rose by 57.4% YoY in 2021.

In the ongoing year, the company expects its sales growth rate to be lower than the previous year. This expectation is one of the reasons that bears use to justify a recent massive crash in Shopify stock. However, I didn't find the tech company's expectation of lower sales growth this year very surprising as anyone with a commonsense wouldn't expect the global pandemic-driven demand surge to sustain forever.

Strong possibility of a sharp recovery

Shopify remains an attractive high-growth stock for long-term investors, in my opinion, as it still has the potential to continue posting strong double-digit sales growth in the coming years. Moreover, its overall profitability remains strong. In the March quarter, the Canadian e-commerce software company reported a 14% YoY increase in its adjusted gross profit dollars to US$646.1 million.

The rising popularity of the Shopify Payments system could help the company expand its profitability further in the coming years. These factors could drive a sharp recovery in SHOP stock in the coming years and help investors get solid returns on their investments. Overall, I consider its recent massive losses a rare opportunity for long-term investors to add this amazing Canadian high-growth stock to their portfolios.

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