



2 Top TSX Growth Stocks to Buy in August 2022

Description

Investors' preference for growth stocks has waned in favour of value of late. That much can be seen by the price action of various sectors this year.

However, [investing in growth stocks](#) shouldn't be painted with a broad brush. There are many GARP (growth at a reasonable price) names out there. And while valuations in this sector have declined, there are still a few companies that are holding their own due to the quality of their cash flows as well as their earnings profile.

In this article, I'm going to discuss why **Constellation Software** ([TSX:CSU](#)) and **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)) are two such companies worth considering.

Let's dive in.

Top TSX growth stocks: Constellation Software

Constellation Software is a Canadian software behemoth. This company has grown to this size via a nice combination of organic and acquisition-based growth.

In fact, it's the merger and acquisition profile of Constellation that most investors focus on. Via acquiring and managing software companies with unique verticals in the software space, Constellation has been able to leverage its portfolio to improve the ROE for investors over time.

Currently, Constellation operates in Australia, North America, Europe, Africa, and South America. Thus, this company is more of a global conglomerate than most smaller Canadian tech companies.

This reality is seen in the company's numbers, which are very impressive. This past quarter, the company brought in total revenue of \$1.4 billion, which was 22% higher year over year. This was driven mainly by acquisitions, though the company did see some organic growth (of around 1%).

Given the fragmented nature of the global small-cap software/tech space, Constellation's consolidation

opportunity is massive. Accordingly, I think this company's trajectory remains intact. Trading around [86 times earnings](#), Constellation isn't cheap. However, it's the quality of this company's growth that investors ought to like.

Shopify

Similar to Constellation, Shopify is another company that's never traded at a "cheap" multiple. That said, the company's current valuation of around nine times sales is among the lowest valuation multiples this stock has traded at in some time.

Now, nine times sales is still expensive. That said, there's a reason for this valuation.

Shopify's cloud-based e-commerce platform, engineered for medium- and small-sized enterprises, has driven incredible growth in this sector over the past decade. During the pandemic, investors saw the importance of e-commerce as well as the need for businesses to diversify their offerings online.

Now, with the return to brick-and-mortar shopping, Shopify's thesis has taken a hit. That's not something to be debated — it's a fact.

However, over the long run, as more businesses shift online, Shopify's platform is a leader in this space. Accordingly, for those looking to bet on the strength of the secular growth catalysts underpinning Shopify's business model, this company's valuation certainly looks enticing.

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2. Tech Stocks

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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chrismacdonald

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