Buy the Dip: 2 Top Growth Stocks That Could Turn $5,000 Into $25,000

Description

Growth stocks across sectors have been pummeled in 2022. The double whammy of rising interest rates and inflation have dragged valuations of stocks significantly lower year to date. But long-term investors with a high risk profile may view the selloff as a buying opportunity.

Here, we'll look at two top growth stocks trading on the TSX that Canadian investors can buy right now. The two companies are trading at a discount compared to their historical multiples and have the potential to turn an investment of $5,000 into $25,000 by the end of this decade.

Dye & Durham

Dye & Durham (TSX:DND) provides legal software and payments technology solutions to improve efficiency and productivity of legal and business professionals. It enables over 50,000 clients across Canada, Australia, the U.K., and Ireland to manage workflows efficiently.

Dye and Durham has increased sales from $43.84 million in fiscal 2019 to $209.94 million in fiscal 2021 (ended in June). In the last 12 months, the company's revenue surged to $429.5 million, while adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) stood at $241 million, indicating a margin of over 50%.

Since the third quarter (Q3) of fiscal 2019, the company has expanded its EBITDA at an annual rate of 119%. Analysts tracking DND stock expect sales to more than double to $481.35 million in fiscal 2022 and rise by 26.7% to $610 million in fiscal 2023.

Given its market cap of $1.27 billion, Dye & Durham is valued at a forward price-to-2023-sales multiple of two, which is very cheap. Further, the company's adjusted earnings are estimated to improve from a loss of $0.72 per share in fiscal 2021 to $1.14 per share in 2023. So, DND stock is priced at 15.4 times forward earnings, making it one of the most undervalued growth stocks on the TSX.

The stock price of Dye & Durham is down 67% from all-time highs. But it's also trading at a discount of 125% compared to consensus price target estimates.

Shopify

A beaten-down tech stock, **Shopify** (TSX:SHOP)(NYSE:SHOP) is down 78% from all-time highs, valuing the company at US$60 billion by market cap. While the ongoing pandemic accelerated the shift towards e-commerce, Shopify's revenue growth has nosedived in the last two quarters due to the reopening of economies and lower consumer spending.

In Q2, Shopify sales were up 16% year over year. The company reported a net loss of US$0.95 per share compared to earnings of US$0.69 per share in the year-ago period. However, its monthly recurring revenue surged 12.7% to US$107.2 million, indicating Shopify continues to expand its merchant base.

Shopify ended the June quarter with a gross merchandise volume, or GMV, of US$46.9 billion — an increase of 11% year over year. The GMV is the total value of orders processed on Shopify's platform.

Now, Wall Street expects Shopify sales to rise by almost 20% year over year to US$7.1 billion, while loss per share is forecast at US$0.07. In 2021, it reported earnings of US$0.82 per share.

Shopify stock is currently valued at 9.2 times forward sales, which is much lower than its average five-year multiple of 32.7, making it a top bet for investors right now.

Shopify is part of an expanding addressable market and powers 31% of the websites in the United States. The e-commerce market is forecast to rise annually by more than 15% through 2030, providing Shopify with enough room to grow revenue and earnings over time.

CATEGORY

1. Investing
2. Tech Stocks

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Date
2025/07/05
Date Created
2022/08/10
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