3 TSX Stocks That Could Soar

Description

Amid surging inflation and interest rate hikes aimed at cooling said inflation, the technology sector has witnessed some volatility recently. Accordingly, TSX stocks that once soared have been brought down to earth. Valuation compression is real, and tech stocks have been among the hardest hit in the market of late.

That said, this significant pullback may represent an opportunity for investors. Given the sharp declines in the likes of **Shopify** (TSX:SHOP)(NYSE:SHOP), **Constellation Software** (TSX:CSU), and **Open Text** (TSX:OTEX)(NASDAQ:OTEX), investors could finally have the opportunity to grab solid growth stocks with significant long-term upside potential at better prices.

Of course, more downside could materialize in the near term. But for those with a long investing time horizon, here's why these three stocks could be great bets right now.

TSX stocks that could soar: Shopify

Shopify came into being through some snowboard enthusiasts more than a decade ago. In fact, the company started as a snowboard shop and later shifted into providing an e-commerce platform for small- and medium-sized businesses Currently, approximately 1.75 million merchants across 175 countries use Shopify for their e-commerce offerings. Earning subscription fees, Shopify's business model is one many growth investors have sought out in recent years.

The pandemic created a surge in Shopify's business, providing for a valuation which appears to have gotten out of hand. That said, despite growth slowing significantly of late, it's important to recognize that these numbers are on top of an incredible base.

Thus, those taking a bullish long-term view of Shopify's growth prospects may like this stock on this dip. This is a top TSX stock on my watch list right now.

Constellation Software

One tech stock that's positioned well for this current market environment is Constellation Software. Constellation is a conglomerate of customized software solution businesses aimed at private and public enterprises. The firm builds, acquires, and manages vertical-specific businesses.

The company's growth-by-acquisition model is one that's continued to provide impressive top- and bottom-line results. While this stock still trades at a premium multiple compared to its peers, it's one I think has the ability to continue growing over the long term. Much of that has to do with the fragmented nature of the software market right now.

As of the second quarter of this year, Constellation posted 30% revenue growth — a number many of its peers haven't been able to achieve. On a forward-looking basis, I think the future is just as bright for this Canada-based tech giant.

Open Text

Finally, we have Open Text. Another software-focused business that's grown organically and via acquisitions, Open Text has held up relatively well during this recent bout of market volatility. That said, this stock is still well off its highs, representing an intriguing buying opportunity or investors.

Open Text's recent results generally underwhelmed the market, with the company bringing in revenue and earnings in line with estimates. In this market, earnings beats are somewhat necessary for companies to see valuation bumps. Accordingly, this is a stock that some growth investors don't have on the radar right now.

That said, with various acquisitions underway, I think the future growth potential of Open Text remains strong. This is a company I've got on my radar and will consider at a sub-$40 level moving forward.

CATEGORY

1. Investing
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2. NYSE:SHOP (Shopify Inc.)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:OTEX (Open Text Corporation)
5. TSX:SHOP (Shopify Inc.)

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