Buy These 2 Growth Stocks on the Dip

Description

Growth stocks have been brutally beaten down, but don't count them out of the game just yet. As investors come to terms with higher interest rates, the top growth plays may begin to find their feet again. Undoubtedly, it's hard to tell when the growth trade will heat up again. Regardless, I think it's safe to say that a rapid "melt-up" is out of the question for the many unprofitable growth stocks that are sitting down more than 90% from their peak levels.

Now, this market's top growth stocks are still very much investable. You just have to be willing to do the extra homework and be ready for more amplified volatility as we close out the year. Indeed, not all recoveries are in a V-shape. Though we experienced a sharp bounce after the 2020 stock market crash, such swift bounces shouldn't be expected, as they don't tend to happen following extended bear markets.

Growth stocks could be in for a relief year

Just because a quick gain isn't in the cards does not mean today's growth plays aren't a great bet for the new year. Indeed, growth is in need of relief. And with some pundits opening up the door to Fed rate cuts (something that seems to be off the radar for most growth investors), growth may have a better-than-expected 2023, given how low expectations and valuations have become.

In this piece, we'll have a look at two intriguing growth stocks on the TSX Index that may be worth another look if you're young, with a long-term time horizon, and the courage to embrace off-the-charts levels of volatility.

Shopify (TSX:SHOP) and **Constellation Software** (TSX:CSU) are my two top picks for Canadians seeking growth at a now reasonable price!

Shopify

Shopify stock is attempting to rally after shedding more than 80% of its value from peak levels. At $52 and change per share, SHOP stock is nearly 50% off its 52-week lows. Undoubtedly, many bottom fishers may have the green light to punch their ticket into the ailing e-commerce company.

Despite reversing stock price momentum, investors should not expect the bottom to be in. A revisitation of the lows (around $36 per share) could easily be in the cards if Shopify can't deliver on the quarterly earnings front. Fortunately, expectations are already quite low. The stock trades at 9.2 times price to sales. Historically, that's a low multiple for Shopify. However, it's still on the high end for such a high-growth tech play.

Regardless, I think Shopify is on the right track after ripping the band-aid off in 2022.

Constellation Software

Constellation Software is a diversified software company that's found a way to beat the broader TSX Index over extended durations. Despite the sluggish year, CSU stock is still up around 177% over the past five years. As we head into a tougher economic climate, I expect Constellation could continue to hold up better than its peers. With a solid balance sheet and a knack for uncovering "hidden gems" in the Canadian software and unicorn scene, I'd not be too hesitant to pay up a premium multiple.

At writing, shares go for a 68.8 times trailing price-to-earnings ratio. That's undeniably expensive. But for such a quality growth play in tech, I think the price is justified.

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