



Better Buy: Constellation Software vs. Shopify

Description

2022 was a year to forget for many growth stocks on the [TSX](#). The Canadian stock market as a whole was down just shy of 10% last year, but many growth companies are entering 2023 trading at huge discounts from all-time highs.

The high-interest-rate environment is one major catalyst for the selloff we've seen with growth stocks over the past 12 months. Another driver I'd argue is that the market is still cooling off after its incredible bull run following the initial COVID-19 market crash.

After the market plunged in early 2020, investors witnessed a rebound that returned significant amounts of gains in a very short period of time. But as we began seeing a return to pre-pandemic living in North America, it's only natural to have seen some of the high-flying growth stocks of 2020 cool off.

Investing in high-growth tech stocks

Despite the potential of more volatility in the short term, long-term investors shouldn't necessarily be shying away from growth stocks in 2023. Particularly in the [tech sector](#), there are plenty of top tech companies trading at must-buy prices today.

For anyone looking to add some growth to their portfolios this year, I've reviewed two top tech stocks that are worth serious consideration.

The two picks are very different from one another. Depending on the investor you are, there may be a clear choice for you.

Constellation Software

Not many TSX stocks have outperformed **Constellation Software** ([TSX:CSU](#)) since it went public 15 years ago. It's not only the tech stock's total return that has been impressive but also the consistency of delivering market-beating gains year after year.

Growth has slowed as the business has matured but Constellation Software still has plenty of market-beating growth left in the tank. As organic revenue growth has slowed, management has increased its focus on acquisitions. A strategy that should serve the company well in the coming years.

Shares are up close to 200% over the past five years. And, in impressive fashion, the stock is trading just 10% below all-time highs.

Constellation Software likely won't be the fastest-growing tech stock on the TSX in the coming decade. But if you're looking to add some dependable growth to your portfolio at a reasonable valuation, Constellation Software is the stock for you.

Shopify

It wasn't long ago that **Shopify** ([TSX:SHOP](#)) was the largest company on the TSX based on market cap size. But after dropping a staggering nearly 80% since late 2021, Shopify is nowhere near the size of the largest Canadian companies anymore.

Shopify isn't alone in trading far below all-time highs. High-growth and high-priced tech stocks were amongst the hardest hit in 2022.

But despite the tumultuous past year that Shopify has had, the company's long-term growth potential is hard to ignore. Revenue growth continues to soar, as the business solidifies its market position in the hugely opportunistic e-commerce market.

Even with the price drop, Shopify isn't exactly a cheap stock. But for a company loaded with as much growth potential as this tech stock, you're going to need to pay up.

For investors that are willing to endure more volatility in the short term for multi-bagger growth potential over the long term, Shopify is a company that should be on your radar in 2023. And at these prices, you may want to act quickly.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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Author

ndobroruka

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