



The 1 Canadian Stock I Think Could Double in 3 Years

Description

Last year was a pretty difficult one for investors in the global market. Many macro factors contributed to this tension, starting from the heavy economic impact of the pandemic, which happened almost two years ago, and ending with fears of a potential recession. Accordingly, as 2023 comes around, many investors are looking for one Canadian stock (or global stock for that matter) to home in on.

Among [growth stocks](#), it's been a rough go. That's why focusing on **Shopify** ([TSX:SHOP](#)) has been a losing bet for all of 2022. Some indications are that this market will continue to be unfavourable to growth stocks for the foreseeable future. Given the macro backdrop, it's hard to see a case as to why Shopify is one Canadian stock worth buying.

Here's why investors may want to take a long-term approach to this growth stock and consider nibbling at these beaten-down levels.

Earnings support valuation growth over time

At some level, even the "worst" stocks in any economic cycle become attractive. Indeed, Shopify's valuation (which has been sky-high since its initial public offering, to be honest) has put this company in the category of growth darlings that's now out of favour.

This has led the company's valuation to decline precipitously, to a now-more-reasonable level of around seven times sales (it was around 41 times sales just a year ago). Sure, plenty of valuation contraction could still take place from here. But this is a company with an impressive growth trajectory, which could continue to see higher-than-average growth over the long term due to strong secular tailwinds emanating from the shift toward e-commerce.

While e-commerce-related stocks are out of favour right now, I think the company's recent results show promise. Shopify provided 19% sales growth during this previous Black Friday/Cyber Monday weekend, to \$6.3 billion. If the company is able to continue to grow at a 20% annual clip, this is a stock that should grow into its valuation in its current state in a few years' time.

The question is just how much of this top-line growth will filter through to the bottom line. Investors want profitability, and while Shopify has shown it can be profitable in the past, it will need to grow its bottom line faster than its top line. This is where margins become a key focal point for investors moving forward.

Bottom line

If Shopify can improve its margins, continue to grow at a +20% annual clip, and consolidate its dominance in the e-commerce space, this will be a winning stock long term. Indeed, as far as growth stocks are concerned, Shopify remains a top pick of mine. It really just depends on investors' time horizons from here.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. tmfwordnerd

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date

2025/08/29

Date Created

2023/01/04

Author

chrismacdonald

default watermark

default watermark