



Here's the Next TSX Stock I'm Going to Buy

Description

Picking individual stocks is quite a difficult task. You need to ensure the company enjoys a wide economic moat, widening profit margins, and an expanding addressable market to keep outpacing the broader markets in the long term.

In the decade before 2021, investing in high-flying growth stocks allowed investors to generate exponential returns. But as economic conditions worsened in 2022, the valuations of tech stocks nose-dived. Several [tech stocks](#) on the TSX are currently trading at a steep discount to historical multiples allowing you to buy the dip.

One such [top TSX stock](#) is **Shopify** ([TSX:SHOP](#)), which is down 75% from all-time highs. SHOP stock went public in mid-2015 and surged by a staggering 5,500% between its IPO and late 2021. So, if you invested \$1,000 in Shopify stock soon after the company went public, you would have had close to \$56,000 by December 2021.

Alternatively, an investment of \$1,000 in the stock close to its all-time highs would be worth less than \$250 today. We can see that investing in growth stocks is a high-risk, high-reward proposition. Keeping this in mind, let's see why I'm bullish on this Canadian tech stock right now.

Is Shopify stock a buy?

Like other tech stocks, Shopify is also feeling the heat of macro headwinds such as inflation and higher interest rates. In 2022, rising commodity prices led to slower consumer spending, resulting in a deceleration of revenue growth for Shopify.

In the last 12 months, Shopify's sales have risen by "just" 25% year over year to US\$5.2 billion, and it also reported negative free cash flow of US\$200 million. Comparatively, the e-commerce company almost tripled its revenue between 2019 and 2021.

But Shopify is well-positioned to turn things around, given it aims to simplify most aspects associated with online commerce. The Shopify platform currently helps merchants manage sales on digital

marketplaces and social media platforms, as well as from their own websites. The company also offers an additional suite of ancillary services such as payments, digital marketing, and financing.

Shopify is now deploying significant resources to build and manage fulfillment centers, streamlining the supply chain process for its merchant base. This will not only attract other merchants to its robust platform but will increase spending from existing customers as well.

What next for SHOP stock price and investors?

Shopify is now the second largest e-commerce platform in the United States, after **Amazon**. But compared to the undisputed leader in online sales, Shopify has a differentiated business model. For instance, Shopify supports physical storefronts and direct-to-consumer websites.

Retail online sales south of the border are expected to touch US\$1.7 trillion, indicating annual growth rates of 12% in this period. Comparatively, business-to-business online sales are forecast to grow by 10% annually in the next four years to US\$2.5 trillion, providing Shopify with enough room to expand its sales in the upcoming decade.

SHOP stock is priced at less than 10 times forward sales. This valuation is much lower compared to its average of 35 times over the last three years. Analysts remain bullish on SHOP stock and expect it to gain almost 50% in the next 12 months.

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2. Tech Stocks

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