



2 Tech Stocks Have Lost Over 20% Recently: Is it Time to Buy?

Description

Two top Canadian tech stocks have lost significant market value recently. Does the recent sell-off in these billion-dollar stocks provide an opportunity for investors? Shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) are trading 28% below their 52-week high, while **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) stock is trading 50% off its 52-week high.

Shopify loses steam in September 2019

Shopify shares have experienced weakness for a while now. Earlier this month, I had mentioned Shopify [as an overvalued stock](#) and that investors need to exit their investments. Shopify has slumped 27% since August 27 this year.

Shopify was impacted after it announced the acquisition of 6 River Systems for \$450 million. 6 River Systems is one of the leading players in the collaborative warehouse fulfillment space.

On September 17, Shopify also priced a secondary offering worth \$600 million at \$317.5 per share. Earlier this year, Shopify announced it would invest \$1 billion to set-up fulfillment centres. We can see that the recent acquisition and capital raised will be used to build and expand Shopify's traction in these centres.

Despite the recent pullback, Shopify has gained a stellar 116% year to date. Shopify is currently valued at \$34 billion. This means it's trading at 22 times 2019 sales. Analysts remain optimistic about Shopify.

Out of the 29 analysts covering Shopify, 18 have a "buy" recommendation, 10 have a "hold" recommendation, and one has a "sell" recommendation. Analysts have a 12-month average target price of \$361.92 for Shopify. This indicates the stock is trading at a discount of 22% to analyst estimates.

BlackBerry falls on disappointing results

BlackBerry announced its second quarter of fiscal 2020 results (quarter ended in August) yesterday. We know that analysts [estimated BlackBerry to post revenue](#) of \$266 million and adjusted earnings per share (EPS) of -\$0.01.

In the second quarter, BlackBerry reported revenue of \$261 million and breakeven EPS of \$0.00. We can see that while BlackBerry marginally beat earnings estimates, it reported sales below Wall Street expectations.

Further, BlackBerry also cut its revenue forecast for 2020. The company estimates sales between 23% and 25% in 2020, below its prior forecast of sales growth between 23% and 27%. This resulted in a massive sell-off, dragging BlackBerry stock lower by over 22%.

Company CEO John Chen stated that revenue in the second quarter across business segments was above expectations with the exception of the Enterprise Software & Services vertical. According to Chen, "The softness in our ESS business is primarily due to the retooling of our sales force. We anticipate the impact on this retooling to last another two quarters while we strengthen our go-to-market and increase our pipeline."

He added, "Our goal of sequential quarterly revenue growth provided last fiscal quarter was pushed out by three months as the retooling caused some disruption in the development and closure of our pipeline."

BlackBerry shares are now trading close to its 15-year low price of \$5.91. It is currently valued at \$3.24 billion, or 2.9 times 2020 sales. Out of the 16 analysts covering BlackBerry, four have a "buy" recommendation, 10 have a "hold" recommendation, and two have a "sell" recommendation. Analysts have a 12-month average target price of \$10.34 for BlackBerry. This indicates the stock is trading at a discount of 75% to analyst estimates.

Though analysts believe BlackBerry to have greater upside potential, it should be known that target estimates for the company will soon be revised, looking at its tepid sales guidance. If investors need to choose between Shopify and BlackBerry, the former is a runaway winner.

CATEGORY

1. Investing
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2. NYSE:SHOP (Shopify Inc.)
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Author

araghunath

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