



## 2 Tech Stocks to Buy for October 2019

### Description

The broader markets remain overvalued and are trading close to all-time highs. However, there are always stocks with an upside potential at every stage of an economic cycle. Here we look at two such Canadian tech stocks.

### Shopify

Shares of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have returned a staggering 1,100% since its IPO in May 2015, but the stock has lost significant market value recently. Shopify shares touched an all-time high of \$409.61 in August 2019. It is down almost 25% since then.

Shopify shares have lost a quarter of its value in the last month. Shopify investors were impacted by its [secondary offering where it priced shares](#) at \$317.5. It raised \$600 million on September 19. The stock is currently trading at \$309.6 at writing.

Shopify also acquired 6 River Systems for \$400 million earlier this month, impacting company shares significantly. Shopify is looking to invest heavily in developing its own fulfillment centers.

The company might invest \$1 billion in the next five years in its fulfillment centres, as it has identified a need for fast, reliable and affordable fulfillment centres and aims to offer a streamlined experience with intelligent inventory and order routing. Shopify is banking on the incremental revenue to offset costs in developing these centers.

There are other tailwinds for Shopify. The company expects the growth in e-commerce to drive sales higher. Analysts expect Shopify's sales to rise by 43.4% in 2019 and 34.3% in 2020. Its earnings per share are expected to rise 60.5% in 2019, 55.7% in 2020 and at an annual rate of 53.1% in the next five years.

Shopify shares will correct significantly in a downturn, but so will other high growth companies. The stock is still overvalued. But the recent pullback provides a great opportunity for investors to enter the stock.

Analysts tracking Shopify have a 12-month average price target of \$362, which is 17% higher than the current price.

## Lightspeed

Similar to Shopify, **Lightspeed** ([TSX:LSPD](#)) has had a strong start since its IPO. LSPD sells payment processing systems to small- and medium-sized businesses.

The stock has returned 75% since it was publicly listed in March 2019. But Lightspeed investors have lost over 30% since August 9. Lightspeed is trading 33% below its 52-week high.

LSPD has [developed point of sales \(or POS\) software](#) for over 50,000 retailers and restaurants. LSPD has a huge market opportunity to increase sales. According to Grand View Research, the global POS market is estimated to reach \$108.46 billion by 2025.

Lightspeed is expected to grow sales by 46.2% to \$113.25 million in fiscal 2020 (ending in March). Sales growth is estimated to accelerate to 48.3% to \$168 million in 2021 and will also boost profitability.

Analysts expect Shopify to increase profitability by 94.2% in 2020 and by 47% in 2021. It is very likely that LSPD will post an adjusted profit by the end of 2022. A high growth profitable company is every investor's dream.

LSPD and Shopify are both vulnerable in an economic downturn. Technology stocks, in fact, are known to significantly underperform broader markets in a recession. But no one knows when the next recession will actually hit the markets.

The recent pullback in Shopify and LSPD makes them an attractive bet at least for the next month.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:LSPD (Lightspeed Commerce)
3. TSX:SHOP (Shopify Inc.)

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**Date**

2025/09/18

**Date Created**

2019/09/27

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