Growth Stocks Like Shopify (TSX:SHOP) Are Now Value Stocks

Description

In recent years, growth stocks have outperformed both income and value stocks. In particular, it has been a tough go for value investors, with little in terms of investment options. Value was incredibly difficult to find. The recent bear market has flipped the investment environment on its head.

All of a sudden, value investors have plenty of choice and growth investors are licking their wounds. Interestingly, certain growth stocks are quietly turning into value stocks: the best of both worlds.

Canada's best growth stock

In recent years, there has been one stock consistently among the **TSX Index'**s top performers: **Shopify** (TSX:SHOP)(NYSE:SHOP). Before the recent carnage, Shopify was humming along and trading near its 52-week high of $786.09.

As of writing, Shopify was trading near its yearly low of $458.52, which represents a 41.6% drop from its yearly high. In comparison, the **S&P/TSX Composite Index** is down 30.42% from its peak. As Shopify is not yet consistently profitable, it's best to evaluate the company based on sales.

As of writing, the company is trading at only 19 times sales, the cheapest it's been in over a year. Although a P/S of 19 seems high, it is important to note that Shopify is one of the fastest-growing companies on the TSX Index.

This top growth stock has averaged approximately 40% annual revenue growth and the expectation is for similar moving forward. Similarly, the company is expected to grow earnings by an average of 50% annually over the next five years.

Shopify's business model revolves around e-commerce. Given recent events, there may be an accelerated shift toward online business models by small and mid-sized merchants. Once the world opens up for business again, Shopify is well positioned to once again be a leading growth stock.

A tech stock trading below its IPO price

In 2020, there was one initial public offering (IPO) that stood out from all others: **Lightspeed POS** (TSX:LSPD). This startup provides payment and software services for small and mid-sized retailers and restaurants. As the world shuts down, it's likely that Lightspeed's growth will slow considerably considering its clientele.

However, this is short-term thinking. Long term, Lightspeed is expected to be one of the fastest-growing technology companies. The expectation is for 50% average annual earnings growth over the next couple of years.

As of writing, this growth stock is trading at only $15.22 per share, which is below its IPO price of $16.00 per share and at a 69.3% discount from its 52-week high of $49.70 per share.

Although analysts average price targets have dropped given recent events, they still have a one-year target of $34.52 per share, which implies 126% upside from today's price.

The company is trading at a cheap 9.1 times sales, which is well below some of its high-growth peers such as the aforementioned Shopify. This is excellent value given the company's expected growth rates.

Investors lamenting the fact that they missed out on the IPO have been presented with a great opportunity. Although it may be pressured in the short term, Lightspeed POS remains an excellent long-term growth stock.

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3. TSX:SHOP (Shopify Inc.)

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