



Buy, Hold, or Sell Your Tech Stocks?

Description

Tech investing in North America is traditionally more focused on the likes of the **NASDAQ** than the **TSX**. However, Canadian tech has been evolving rapidly over the years, to the point that a raft of names offer a rewarding growth environment. Some of these names have appreciated steeply in the last few months, boosted by profound social changes. Others may have further left to run.

Are your tech stocks overvalued?

Some names are worth holding for the long term. Others less so. Look at **Shopify** ([TSX:SHOP](#)) ([NYSE:SHOP](#)). This stock rocketed at the start of the pandemic, pushed higher by the onset of sectoral shutdowns and widespread social distancing. But that [initial boost](#) is not likely to be repeated any time soon. This makes Shopify one to trim before a pullback and build again at lower valuations.

Indeed, [another market correction](#) could see tech names take some losses. Having rocketed 222% in the last 12 months, Shopify is on its way to the \$1,500 mark. Meanwhile, **Kinaxis** is up 145% in the last 12 months, and **Docebo** up 132%. **Constellation Software** may look like a better play, up 28%.

However, its price tag doesn't exactly mark Constellation out as affordable; furthermore, at \$1,592 it's gone past its median target of \$1,584.

Of a very different stripe are social media stocks – an asset type missing from the TSX. Stocks like **Facebook** look ripe for trimming as advertisers back away. A tech pullback could see big-name stocks lose the most ground. This will especially be the case for names that are seeing high volumes changing hands more for their momentum than for their actual products and services.

A key stock to buy for a recovery

Then there are the types of tech stocks that satisfy a growth thesis but have not yet reached their high price targets. Admittedly, this is a rare find in the current market. **Lightspeed POS** ([TSX:LSPD](#)) might fit the bill, though. Down 15% year on year, this stock is a rare play in the digitalization space that

hasn't seen stonking 12-month growth. While this likely reflects the downturn in retail, there's still a chance for upside here.

Selling for \$33 a share, Lightspeed is around 15% off its median price target of \$38. Bullish tech investors have a high target of \$47 to mull over. Hitting this target could see Lightspeed shareholders who buy in at the current valuation cream 42% upside.

Of course, any business exposed to the retail sector might be a risky play right now. That said, a return to some kind of normalcy could improve this stock.

As the world begins to transition away from quarantine and into a more workable model, stocks like Lightspeed should see an uptick. Investors should expect at least some capital growth out of Lightspeed.

The margin, though, will be dictated by the next few months, and the way in which the world absorbs the coronavirus. Either way, for Canadians bullish on reopening, Lightspeed is a nicely valued investment.

CATEGORY

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TICKERS GLOBAL

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

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