



2 Top Tech Stocks to Look for in December

Description

It's that time of year when shopping is at its peak. Business is booming for retailers and restaurants in the holiday season. While the pandemic has affected many businesses, it has not reduced the festivities. Retailers and restaurants have come up with ways to do business in the COVID-19 economy.

E-commerce stocks rally

At the start of November, I [suggested](#) keeping a watch on some e-commerce stocks, including **Lightspeed POS** and **Kinaxis** ([TSX:KXS](#)).

This is the time when companies like Lightspeed and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) enjoy seasonal sales. And this year, Cyber Monday, Black Friday, and holiday season shopping are majorly happening online amid the second wave of the pandemic.

As expected, stocks of Lightspeed and Shopify surged 20% and 77% in November and are still rising. This rally could continue to January 2021, when the two companies release their quarterly earnings.

They could report around 95% year-over-year increase in revenue in the current quarter. Buying into the two stocks at this point might not be a wise decision. But if you own these stocks, keep a watch on them.

Shopify stock

Shopify stock is in a megaphone trend where its movement is range-bound in the \$1,200-\$1,450 range. It entered this trend as it rallied significantly during the pandemic, making it overpriced for its current growth.

The dilemma of overpriced stocks is their upside potential is limited. After one point, short-term investors lose their patience and cash out profits.

You can make money in such range-bound stocks by buying at the lower end of the range and selling at the higher end of the range. The stock fell to \$1,155 on November 9 and 10 on the vaccine news. If you followed my tip and bought the stock at that price point, now is the time to prepare to sell.

Shopify is currently in the higher range of the megaphone trend. The stock is trading at \$1,411 and could still grow above \$1,450. The stock is trading at normal volumes and could even make a new high above \$1,502. Stay alert and sell the stock once it crosses the \$1,450 mark.

If you invested \$3,000 in Shopify, it could become \$3,765. That's not a bad bargain for short-term gains.

Kinaxis stock

While Shopify and Lightspeed stocks have been riding on the bull of holiday season sales, Kinaxis stock saw a correction. It fell 10% in November on slightly slower growth in the [third quarter](#). Its revenue rose 17% year-over-year but fell 10% sequentially.

The right way to look at Kinaxis' revenue is annually rather than quarterly figures. It signs two to five-year contracts with customers and gets payments in advance.

The pandemic has delayed some contract renewals and the signing of new contracts. But its overall growth prospect is strong. It's supply chain planning solutions will be in demand as business-to-business trade picks up.

Kinaxis's stock has surged 77% so far this year. The stock is trading at its June level and has the potential to grow as the economy recovers.

Concerns around the tech bubble

Many analysts warned that the pandemic has created a tech bubble as tech stocks have rallied to record-high valuations. The thing with valuation is you can't see them in isolation. Shopify stock is trading at 68 times its sales per share.

Even when the stock fell to \$1,150, it was trading at 55 times its sales per share. The stock justifies this valuation with a 95% revenue growth. If the company continues to grow its revenue at this pace, its valuation will normalize in a few years.

Similarly, Kinaxis is trading at 16.5 times its sales per share for a 15% revenue growth. This valuation will also normalize as the company wins new contracts from large enterprises.

The concerns of a tech bubble are therefore overblown. It's the way software companies function in their growth stage. They enjoy rising cash flows and profits once they make a sizeable base of loyal customers.

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1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:KXS (Kinaxis Inc.)
3. TSX:SHOP (Shopify Inc.)

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