



## Earnings Season: The 2 Best Canadian Tech Stocks to Buy in February

### Description

The next month will be an earnings month where most tech stocks will reveal their holiday season outcome. The 2020 holiday season was different than other years for e-commerce companies. The pandemic had already got them Black Friday-level traffic in April 2020. And in November 2020, there were fresh lockdowns as the second wave of pandemic hit the world.

All holiday season shopping plus gadget shopping for headsets, laptops, and game consoles happened online last year. Hence, **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stocks made a new high in December 2020.

### Two tech stocks to buy in February

Stocks of Lightspeed POS and Shopify surged 100% and 40% between November and December 22, 2020, on the Santa clause rally. This is the seasonal jump these stocks see every year as they report their maximum revenue at this time of year. And cloud stocks are all about revenue. Hence, you might see some exciting growth numbers this earnings season. However, the limelight of the earnings will be the revenue outlook for 2021.

It was quite clear in 2020 that the two e-commerce companies will see accelerated growth coming from pandemic-induced traffic. Now the question is, will they be able to retain this customer base? If they can, how do they plan to grow from here? What more can they offer to attract new customers and increase revenue from existing customers?

### Lightspeed POS stock

Lightspeed POS was one of the hottest stocks of 2020 and showed a V-shaped recovery from the March 2020 bottom. The omnichannel point-of-sale (POS) solution that helps retailers and restaurants manage multiple stores efficiently took a hit in the pandemic lockdown – and prompted the company to turn to its e-commerce offerings. When stores opened, it gave them options like online ordering, curbside pickup, and inventory check.

The Lightspeed platform went from being good to have technology to a must-have technology. The platform helped retailers get customers while maintaining social distancing. All these services increased its revenue from transaction volume. In the first half of fiscal 2021, its revenue growth rate accelerated to 57% from 44% in the same period in the previous year.

Lightspeed POS will release its fiscal 2021 third-quarter earnings on February 4. It expects its revenue to grow 45% year-over-year (YoY) to \$47 million at the higher end of its guidance range. But I believe the company will beat its guidance significantly as it has in five of the last six quarters. This quarter will also include the earnings of ShopKeep and Upserve, which it acquired during that period.

Beyond the pandemic, Lightspeed expects to grow revenue by expanding its geographic reach, especially in the United States. It also looks to widen its customer base to add golf clubs and similar services. Moreover, it is broadening its product offerings to provide end-to-end solutions. It has [launched](#) the Lightspeed Supplier Network for North American retailers. It's like an e-commerce site for wholesalers and retailers.

The year 2021 will see how the above efforts unfold in its future earnings.

## Shopify stock

Last year, Shopify became the most valued stock trading on the **Toronto Stock Exchange**. As it is, the company was enjoying strong but decelerating revenue growth (73% in 2017 to 47% in 2019), and the pandemic gave it the added boost. After reporting two straight quarters of over 95% revenue growth, similar growth will come in the fourth-quarter earnings, scheduled to release on February 17. That could pump up its 2020 [revenue growth rate above 70%](#).

What makes me sure of Shopify's revenue growth is the 2020 Black Friday/Cyber Monday gross transactions, which surged 76% YoY to \$5.1 billion transactions. This was the first time Shopify surpassed **Amazon** by \$300 million. Now, that's an accomplishment.

In the upcoming earnings, Shopify will talk about its post-pandemic growth strategy, including the Fulfillment Network.

## Investor takeaway

Both the stocks have immense growth potential, but they might see some correction in February as investors cash out their profits on the Santa clause rally. A dip will be a good entry point into these high-growth stocks.

## CATEGORY

1. Coronavirus
2. Investing
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## **TICKERS GLOBAL**

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

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## **Date**

2025/09/15

## **Date Created**

2021/01/29

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