



2 Stocks to Watch in March 2021

Description

It is almost one year since the stock market witnessed its biggest sell-off due to the pandemic. This time last year, governments worldwide announced a complete lockdown. Many investors underestimated the power of digitization until the pandemic taught the world that a large chunk of work can happen sitting at home. Stores and offices went digital.

The success mantra of cloud companies is convenience. These companies use land-and-expand strategy. For years, they have been trying to change the habits of people by offering free trials (land). Those who succeeded in making their solutions sticky managed to convert free users into paid subscribers. But the pandemic did the “expand” portion of the strategy for most digital stocks. Several new users and merchants experienced the power of convenience and scale during the lockdown.

Two stocks to put on your watch list

Two companies flourished from the realization of convenience: **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)). After a year of unprecedented growth (70-85% revenue growth), it is time to revisit your portfolio. If you missed their 2020 stock price rally, here is your chance to grab the opportunity while it lasts. If you already own the two stocks, there is a chance to buy more stocks on a dip.

There is no doubt Shopify and Lightspeed have significant growth potential and are worth buying at a dip. They are currently in a correction mode, as the pandemic completes an entire cycle. March and April is also the time when the two stocks hit their seasonal lows.

Add the two stocks to your watch list in March. Watch their momentum keenly so that you can buy into the stocks at a good price.

Shopify stock

Shopify stock has declined 12% in the last two weeks after rallying 33% ahead of its earnings. The

company's management believes that the growth will return to the pre-pandemic level in 2021, as there is no other catalyst that can accelerate its growth. One factor that will work in its favour is economic growth. As the economy recovers in 2021, consumer spending will surge, thereby increasing transactions happening on the Shopify platform.

If you look at Shopify's pre-pandemic growth, it was pretty good. In [2019](#), its revenue and gross merchandise volume (GMV) rose 47% and 49%, respectively. If you look at the stock's growth, it surged at a compounded annual rate of 65% between 2015 and 2019, with a 186% surge in 2019. If you had invested \$10,000 in Shopify at the start of 2015, it would have become \$330,000 by the end of 2019. This is the stock's normal growth, excluding the effect of the pandemic.

I understand that the growth rate slows as you scale. Even if I take a conservative estimate that Shopify stock's growth will halve in the next five years, that is a 1,800% rally. Putting this growth in dollar terms, \$10,000 invested today can convert to \$190,000 in five years.

If the stock has that much growth potential, why do I say you should add it to your watch list? Because I expect the stock to fall further to \$1,400 in March, as people cash out some profit to pay their taxes.

Lightspeed stock

Lightspeed POS stock enjoyed a brilliant 2020, rising from \$12 to \$90 in the pandemic-induced rally. The stock is seeing a correction as the company witnesses a seasonally weak quarter after a splendid 2020. But unlike Shopify, Lightspeed will benefit from the reopening of the economy. The omnichannel solution provider benefits when physical stores and restaurants are open.

During the pandemic, Lightspeed's revenue surged on the back of significant growth in e-commerce transactions. But the company benefits when stores are open, and one retailer deploys the platform across multiple stores. In the December quarter, strength in the retail sector offset weakness in the hospitality sector. The company will see a surge in the hospitality sector in 2021, which will [drive its stock](#) price.

Final thoughts

Watch out for both these tech stocks as they could probably bottom out in March and begin their next growth trajectory from April or May.

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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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