Buy the Dip: 3 TSX Growth Stocks Just Lost Up to 35% in Market Value

Description

While technology-based growth stocks experienced a stellar run in 2020, they have lost significant momentum in recent times. Investors are worried about rising interest rates that generally have an inverse relation with the stock market.

Further, there are also multiple structural issues that have impacted equity markets including a sluggish macro-environment, falling gross domestic product (GDP) rates, and the slower than expected rollout of COVID-19 vaccines.

Here, we look at three **TSX** stocks that have lost market value in recent times but may prove to be good companies to buy on the dip.

Shopify

Shares of Canada's tech giant **Shopify** (TSX:SHOP)(NYSE:SHOP) are trading at $1,545, which is 17% below its record high. Despite the recent slump, Shopify stock is still up 140% in the last year.

The COVID-19 pandemic acted as a tailwind for e-commerce companies including Shopify as people were forced to shop online. In Q4, the company reported sales of US$978 million, a year-over-year growth of 94%. Its adjusted earnings per share also tripled to US$1.98 in the December quarter.

Shopify easily crushed Wall Street's revenue estimates of US$910 million and earnings estimates of US$1.25 in Q4. However, the company's management claimed that top-line growth rates are bound to decelerate as normalcy returns and economies reopen.

Shopify is the largest Canadian company in terms of market cap. While it may not be able to replicate its staggering historical returns, the stock should continue to generate market-beating returns in the upcoming decade.

Lightspeed

Shares of **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) are also trading 16.5% below its record high. The company disclosed its fiscal third quarter of 2021 results last month and reported sales of US$57.6 million, up 79% year over year. It was significantly higher than the company's prior revenue guidance between US$44 million and US$47 million.

Lightspeed POS operates in a highly fragmented market and aims to build a robust payments ecosystem targeting small and medium enterprises. It ended Q3 with a customer base of 115,000 driven by another strong quarter of organic customer additions.

The company closed the third quarter with US$230 million in cash and with adjusted cash flow from operations at a negative US$19 million and thus has enough room to improve profit margins over time.

In the fiscal fourth quarter, Lightspeed has forecast revenue between US$68 million and US$70 million. It also estimates EBITDA loss between US$12 million and US$14 million in the quarter.

Docebo

The final stock on the list is enterprise-facing e-learning company **Docebo** (TSX:DCBO)(NYSE:DCBO). Shares of Docebo are down close to 35% from their record high and are trading at a significantly lower multiple.

Similar to Shopify and LSPD, Docebo also has multiple revenue drivers including a strong customer retention rate and scalability. The company ended Q3 of 2020 with a customer base of 2,025 and annual recurring revenue of US$65 million.

Around 94% of Docebo sales are recurring in nature. This indicates the company has the ability to generate a steady stream of cash flows across business cycles. In Q3, recurring sales were up at a compound annual growth rate of 58%.

In Q4, the company has forecast revenue between $18.25 million and $18.75 million, which means its growth rates will be around 48-52%.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. NYSE:LSPD (Lightspeed Commerce)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:DCBO (Docebo Inc.)
5. TSX:LSPD (Lightspeed Commerce)
6. TSX:SHOP (Shopify Inc.)

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Date
2025/09/12
Date Created
2021/03/04
Author
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