



2 Top Tech Stocks That Are Trading at a Rare Discount Right Now

Description

For growth investors waiting for the right price to invest in two of Canada's top tech stocks, the day has arrived. Shares of both **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) are down more than 20% over the past two weeks.

Don't get me wrong; even with a 20% drop, shares of both stocks are far from cheap. The two growth stocks trade at extremely high valuations at price-to-sales (P/S) ratios above 50. But if you were waiting for a pullback to start a position in either company, I'd take advantage of this rare buying opportunity if I were you.

If you're a short-term trader, a pullback like this likely doesn't have you rushing to pick up shares. The price could very well continue to drop for another two weeks. At these valuations, volatility should certainly not be unexpected. For [long-term investors](#), though, a continued decline in price would just mean another buying opportunity to add to a long-term position.

Shopify

In 2020, Canada's largest company put up share price growth of just about 125%. Considering the company's market cap size of \$175 billion, more than doubling in size in less than 12 months is no small feat.

As of late, though, shares have Shopify have hit a rough patch. Year to date, shares of the growth stock are just about flat. Since early February, the stock is now down more than 20%.

Considering Shopify stock is up more than 3,000% over the past five years, a 20% drop does not seem like much. To some degree, I do agree that investors do not need to worry about a 20% dip. At a P/S ratio of close to 60, volatility like this should be expected to continue as long as the valuation remains this high.

For investors looking to start a position in Shopify today, I wouldn't bank on another 3,000% run over the next five years. However, the tech company is far from done from delivering [market-beating growth](#) to its shareholders.

Shopify closed out its 2020 fiscal year with back-to-back quarters of near 100% revenue growth. The pandemic has led to a massive rise in online shopping over the past year, which was a key driver for Shopify's impressive revenue growth.

Management highlighted in its most recent earnings report that the company shouldn't expect to deliver the same level of revenue growth that it has seen over the past two quarters. While that's not exactly what you'd want to hear as a Shopify shareholder, I definitely wouldn't take that as a sign that Shopify's market-beating growth days are ending anytime soon.

Revenue growth may slow in 2021, but the long-term rise of e-commerce is not going anywhere.

Lightspeed POS

Valued at a market cap of less than \$10 billion, Lightspeed is both a much younger and smaller company than Shopify.

Lightspeed joined the **TSX** in March 2019. Since then, shares are up just shy of 300%.

Growth of 300% in two years is certainly impressive, but it was how the company performed in 2020 that has me extremely bullish on Lightspeed stock over the next 10 years.

The Montreal-headquartered company understandably took an initial hit from the COVID-19 market crash. As a large percentage of Lightspeed's customers being brick-and-mortar retailers, it wasn't a surprise to see the stock sell-off during March last year.

But as 2020 went on, investors learned that Lightspeed offers its customers much more than point-of-sale hardware solutions. Not only that, Lightspeed showed that it doesn't just serve brick-and-mortar retailers anywhere. Inventory management, digital marketing and analytics, and now e-commerce solutions are all part of Lightspeed's product offering today.

Foolish bottom line

The price of admission for owning Shopify or Lightspeed is not for the faint of heart. There will likely be many more 20% drops for both companies in the coming years. That being said, neither stock has ever been cheap, nor will it likely be anytime soon. And that hasn't stopped either company from crushing the Canadian market's returns over the past couple of years.

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TICKERS GLOBAL

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3. TSX:LSPD (Lightspeed Commerce)
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