



The E-Commerce Wave Is Here to Stay: 4 Stocks to Buy on the Dip

Description

The pandemic was the tipping point for the global e-commerce industry as the world population was locked in homes. Everyone tasted the convenience and benefit online shopping brought. Everything from food, medicine, clothes, and electronics was just a click away. E-commerce companies' revenues doubled, and some even turned profitable. After all, e-commerce is but the business of volume.

Many analysts and even e-commerce companies feared that the end of the pandemic would normalize growth. But the latest earnings show otherwise. They prove that the e-commerce wave is here to stay. I have identified four e-commerce and related stocks that will benefit from this ongoing wave.

Two e-commerce stocks

You guessed it right. No discussion around e-commerce is complete without the mention of **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). These two stocks surged 143% and 171% last year and 39% and 35% year to date, respectively. The stock price growth has slowed because investors flooded these two stocks last year making them super expensive.

Lightspeed

Lightspeed stock is trading at 53 times its sales per share. This may look like a high valuation for the company. But it is justified as the company successfully accelerated its revenue growth rate to 84% in fiscal 2021 from 56% in fiscal 2020. It expects [fiscal 2022 revenue](#) to surge 98%, driven by acquisitions and growing penetration of Lightspeed Payments and Capital. The Payments service generates revenue on every transaction and has the potential to pull Lightspeed POS out of losses. It is also accelerating its subscriptions through its Supplier Network initiative.

The company is growing on three fronts: new services, new geographies, and new verticals. It is currently growing market share in retail and hospitality verticals and is entering the sports verticals. Lightspeed might someday tap the healthcare vertical too.

Shopify

As for Shopify, it turned profitable with its full-year 2020 net income of US\$491.3 million. After four consecutive quarters of over 95% revenue growth, Shopify saw growth normalizing. Its [second-quarter](#) revenue surged 57% year over year (YoY). But the stock is valued 61 times its sales per share, which is still high compared to Lightspeed. Investors have priced in the next five to six years of growth in its stock price, leaving little room for growth.

This explains the slow down in stock price growth of both Lightspeed and Shopify. I would suggest you wait for a correction as the two stocks are trading on bullish earnings. If not in September, the stocks could fall in March 2022 to below \$100 and \$1,600, respectively, creating a buying opportunity then.

Two e-commerce-related stocks

The way e-commerce works, its partners benefit more from the platform than the e-commerce company itself. **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)) offers supply chain management solutions and saw significant demand for e-commerce solutions. Similarly, **Nuvei** ([TSX:NVEI](#)) offers payments technology that allows merchants to transact in different currencies, geographies, and across several payment methods, including cryptocurrency. The payments platform benefitted the most as e-commerce accounted for 84% of its second-quarter revenue, which surged 114% year over year.

Descartes is yet to release its fiscal 2022 second-quarter earnings. But looking at the earnings of some of its clients, it is likely to post strong double-digit revenue growth. These two stocks also rode the e-commerce wave, but Descartes's growth was more stable given its diversified customer base and a broad range of solutions. E-commerce is just one of the many offerings of Descartes. It might see a comeback in demand from airlines and industrials.

Here again, stocks of Nuvei and Descartes are trading near all-time highs. It is better to wait for a dip as they are enjoying the rally of a cyclical industry.

Foolish takeaway

To put the long story short, if you already own any of the above [growth stocks](#) hold on to them. If not, then wait for some correction instead of buying these expensive stocks at their peaks.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:LSPD (Lightspeed Commerce)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:LSPD (Lightspeed Commerce)
6. TSX:NVEI (Nuvei Corporation)
7. TSX:SHOP (Shopify Inc.)

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