



What Canadian Stock Should You Buy? Here Are 2 Options

Description

You have opened a trading account, but are all those stock tickers and moving prices giving you a headache? Then you are looking at the wrong dashboard. Those dashboards are for keeping a tab of the stock, not to help you pick stocks.

Here I will help you understand how to read a dashboard and make sense of all those numbers.

What Canadian stock should you buy?

When considering which Canadian stock you should buy, look at two things: the stock price rally and the business. I have two stocks that are always on my buy list as they are in a long-term growth trend:

- **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#))
- **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#))

The first is a dividend stock and the second is a growth stock. They are in totally different businesses. Both are trading close to their 52-week high. But the way to look at the two stocks is very different.

Enbridge stock

As [Peter Lynch](#) said, “Behind every stock is a company. Find out what it’s doing.” The *about us* segment gives you a snapshot of the business. Enbridge is a pipeline operator that earns money by transmitting oil and natural gas in return for a toll. You know oil and natural gas are necessities. Hence, Enbridge enjoys stable revenue and cash flow. It pays an annual dividend per share of \$3.34, or 6.62% of its stock price. In other words, if you invest \$1,000, you will earn \$66.2 in dividend income.

Unlike oil stocks, Enbridge has a beta of 0.94, which is lower than the market beta of 1.0. Beta is a measure of volatility where lower than 1.0 shows the stock is less volatile than the market unless there is a company-specific factor. Enbridge’s [dividend yield](#) and beta show that it is a good income stock.

Enbridge’s strength is profits whose trailing and forward price-to-earnings (PE) ratio is 16.84 times and 16.18 times, respectively. The PE ratio shows stable earnings growth in 2021 (trailing) and 2022

(forward). Never view a ratio in isolation; compare it with peers. Enbridge's peers **TC Energy** and **Keyera** have a trailing PE ratio of 30.61 times and 58.55 times, respectively. Enbridge has a better valuation than its peers as you pay a lower price for \$1 EPS.

The dashboard data shows that Enbridge is a stock that won't give you much growth. But it will reduce your downside risk and give you high dividend income.

Lightspeed Commerce

Now that you know what beta and PE ratios imply, there is a stark difference in these figures when you compare Enbridge with Lightspeed Commerce. This is because Lightspeed Commerce is a growth stock currently at the peak of its [growth](#) and looking to capture market share. Hence, it has a beta of 3.04, which indicates it is three times more volatile than the market.

Lightspeed launched its initial public offering (IPO) in March 2019. It offers an omnichannel platform that caters to small and mid-sized retailers and restaurants. The platform enables merchants to maintain inventory, accept payments, take orders, and book appointments online and in-store. Lightspeed is yet to turn profitable but enjoys strong revenue growth. As it has no profits, it pays no dividends.

Hence, the right way to value Lightspeed Commerce is price-to-sales (PS) ratio which is 74.55 times. Its valuation is high compared to **Shopify's** 60.18 times. And Enbridge, which has no connection to Lightspeed, has a PS ratio of 2.44 times. Hence, it is important to compare apples with apples.

But even for a growth stock, a 74.55 times valuation is pretty high. This is because Lightspeed is enjoying seasonal strength. The second half of the year is when Lightspeed reports significant revenue growth because of holiday season sales. And this time, it also has recovery in the restaurant sector. The company's 2020 revenue more than doubled thanks to acquisitions and organic growth.

Looking at the ~75 times valuation and beta of 3.0, the stock is a risky bet to buy at current levels. I would therefore suggest you wait until February 2022 for seasonal weakness to buy the stock.

Final words

The dashboard is to monitor the performance and not to pick a stock. Learn your stock to understand what the dashboard means.

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:LSPD (Lightspeed Commerce)

3. TSX:ENB (Enbridge Inc.)
4. TSX:LSPD (Lightspeed Commerce)

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