2 Beaten-Down Tech Stocks to Buy and Hold for the Long Term

Description

With the equity markets trading near record highs, it's difficult to find quality stocks priced at a discount. However, the reopening of several economies, the threat of higher interest rates, and concerns over valuations have triggered a pullback in shares of tech companies, including **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Lightspeed** (TSX:LSPD)(NYSE:LSPD).

Let's see if this presents an opportunity for investors to buy the dip.

Shopify stock is down 13% from record highs

Canadian tech heavyweight, Shopify is one of the fastest-growing companies on the TSX, and SHOP stock has already returned over 5,500% in cumulative returns to investors since its IPO six years back. However, it has remained subdued year to date, as the company warned investors about a deceleration in top-line growth in 2021. Shopify increased sales by 86% year over year to US$2.93 billion in 2020 and according to Wall Street estimates, the company's revenue is forecast to touch US$5.7 billion in 2021 and grow by another 34% to US$7.62 billion in 2022.

Shopify's annual recurring revenue has increased from US$14.4 million in the second quarter of 2016 to US$95.1 million in Q2 of 2021, growing at an annual rate of 46% in this period. This revenue growth has been driven by an increase in the company's merchant base that now stands at 1.7 million. Its gross merchandise volume, or GMV, has grown at an annual rate of 67% in the last four years to touch US$119.6 billion in 2020. In Q2 of 2021, it rose by a healthy 40% year over year to US$42.2 billion.

The company's stellar top-line growth also allowed Shopify's gross profits to rise at an annual rate of 65% from US$210.5 million in 2016 to US$1.57 billion in 2020. Similar to other asset-light tech firms, Shopify also benefits from high operating leverage, as its operating expenses now account for 35% of total sales in Q2 of 2021 compared to 57% of sales in 2016.

We can see Shopify continues to impress investors in terms of its growth rates, making it a top stock to buy over the long term.

Lightspeed Commerce is down 25% from all-time highs

Shares of Canadian fintech giant Lightspeed Commerce are down 25% from all-time highs. Despite this pullback, LSPD stock has returned over 500% since its IPO in early 2019. In the last month, Lightspeed has grossly underperformed indices, as a short-seller report from Spruce Point Capital accused the former of misleading investors. According to the report, Spruce Point believes Lightspeed has overstated numbers, such as its customer count in the pre-IPO documents.

LSPD has managed to increase its sales from US$57 million in fiscal 2018 to US$221.7 million in 2021, indicating an annual growth rate of 57%, on the back of highly accretive acquisitions. Now, Bay Street expects its revenue to almost triple to US$653 million in fiscal 2022 and grow by 33.4% to US$871 million in fiscal 2023 ending in March.

The Foolish takeaway

We can see Shopify and Lightspeed are both part of rapidly expanding addressable markets and are poised to benefit from several secular tailwinds in the future. Any significant pullback in the share prices of these companies can be viewed as a buying opportunity by long-term investors.

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