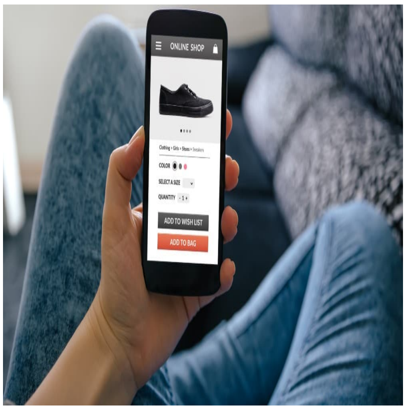

2 Canadian E-Commerce Stocks to Watch Right Now

Description

This earnings season has not been great, with significant tech winners posting rare misses on the top or bottom lines. Indeed, the concerns over slowed earnings growth that many had through September and October appears to be rearing its ugly head. The main question is whether the disappointment will be transitory in nature as a result of global supply chain shortage and other COVID disruptions, or if they're a preview of a drastic slowdown that could drag financial markets into correction territory.

Now, a correction is only healthy. Companies can't keep beating and raising. Many market newcomers have gotten so used to the classic "beat and raise" such that anything short of an outstanding blowout surprise was met with a muted or negative reaction in a stock. As markets look to go back on the retreat after an outstanding bounce off its mini-correction, investors may wish to give many of Canada's most intriguing growth stocks a second look, especially if they end up shedding more value than the broader indices.

Canadian e-commerce stocks worth watching into year-end

Consider **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Lightspeed Commerce**, two fast-growing e-commerce stocks that have reversed in a hurry. Undoubtedly, slowing sales at **Amazon** don't bode well for the sector as a whole. That's a significant reason why shares of Shopify have run out of steam since the summer. Still, after revealing its first top-line miss in five years, investors bid up SHOP shares, sending it up over 7% on the day — quite a big pop for a rare revenue miss. Indeed, investors breathed a collective sigh of relief on the better-than-feared results. Lightspeed stock followed suit, bouncing nearly 7%, as shares attempt to form a bottom after it was dragged down by a short-seller.

While I wouldn't load up on shares of either Canadian e-commerce company after such a bounce, I do think that both high-growth plays are worth watching. Should market-wide momentum reverse again, better entry points could be on the horizon for two firms that don't deserve to be punished but will take a hit anyway.

In this piece, we'll have a closer look at shares of Shopify, whose third-quarter earnings miss was met with a round of applause.

Shopify misses the mark: Shares soar anyway!

Shopify has a knack for not only beating on earnings but beating handsomely. When the stock finally missed the market, nobody would have thought shares would be met with a nice relief rally. Indeed, investors had punished SHOP stock well beforehand in anticipation of a weak quarter. The band-aid was already ripped off, and when it turned out things weren't as detrimental, the stock got a nice boost.

Shopify's gross profit did rise an impressive 50% to around $609 million. Those are outstanding results, but there was considerable spending in infrastructure, among other efforts to bolster longer-term growth prospects. The top line surged 46% year over year to around $1.1 billion. That's not Shopify-like growth, but it's certainly not bad, especially given weakening macro conditions for the third quarter.

Undoubtedly, Tobias Lütke has managed to pull off an impressive earnings miss. While the stock remains frothy, I wouldn't hesitate to add the name to your watchlist if the recent post-earnings pop is unsustainable.

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