Down Over 10% Since Earnings: Should You Buy These 2 Canadian Stocks?

Description

Amid solid earnings and the U.S. Federal Reserve leaving the interest rates unchanged, the Canadian benchmark index rose to a record high on Friday. At the close of the day, the index was trading at over 23% higher for this year. Despite the optimistic investors' sentiments, the following two Canadian stocks corrected over 10% since reporting their recent quarterly earnings. So, let's assess whether any buying opportunities exist after the steep correction.

Lightspeed Commerce

Lightspeed Commerce (TSX:LSPD)(NYSE:LSPD) has lost over 25% of its stock price since reporting its second-quarter earnings on Thursday. For the quarter, the company's top-line grew by 193% to $133.2 million. The growth in its gross transaction value, increased customer locations, higher average revenue per user, and the acquisition of NuORDER, Vend, Upserve, and ShopKeep drove its sales.

However, its adjusted loss per share increased from US$0.05 in the previous year's quarter to US$0.08. Further, the company lowered its guidance for this fiscal sighting supply chain issues. The management expects lower inventories to weigh on its transactions while also impacting its ability to add new customers. With investors still nervous about Spruce Point Capital Management's report in September, which had accused Lightspeed of fudging its numbers before the initial public offering (IPO), the company's weak outlook weighed on its stock price.

However, Lightspeed's growth prospects look healthy, with its addressable market growing at a healthy rate amid increased adoption of the omnichannel selling model. Its continued strategic acquisitions and geographical expansion of its services could boost its financials in the coming quarters.

Also, amid the recent selloff, the company currently trades at a 45% discount from its recent highs. Meanwhile, the company is still trading at a higher forward price-to-sales multiple of 17.8. Given its expensive valuation and weakness due to the bearish report, I would like to avoid the stock in the near term.

Canopy Growth

Canopy Growth (TSX:WEED)(NYSE:CGC) reported its second-quarter earnings on November 5. For the quarter, the company's net revenue came in at $131.4 million, falling short of analysts' expectations of $141 million. Its adjusted EBITDA losses rose to $162.6 million, while analysts expected it to be at $50.1 million. The decline in the Canadian recreational and medical business dragged its sales down. However, the growth of 1% in its international cannabis sales offset some of the declines. The company's management has blamed the increased competition and an insufficient supply of in-demand products for lower sales.

Meanwhile, Canopy Growth also incurred an $87 million write-down on its cannabis inventory during the quarter due to lower-than-expected sales and a decline in near-term demand. Its adjusted gross margin also fell due to lower production output and price compression. So, amid supply challenges in Canada and delayed revenue growth in the United States, its management has pushed out its positive adjusted EBITDA target. So, all of these factors appear to have led the company's stock price to fall over 10% on Friday.

Meanwhile, Canopy Growth is focusing on launching higher-THC products and improving the supply of higher-demand products to regain its market share. It is also strengthening the distribution of BioSteel products and its portfolio of CBD brands. Also, increased legalization and rising cannabis usage for medical purposes are expanding the cannabis market.

Given the company's healthy growth prospects, I believe investors with a long-term investment horizon can utilize the correction to accumulate the stock to earn superior returns.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:WEED (Canopy Growth)

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