4 Cheap Tech Stocks That Could Make You Rich in 2022 and Beyond

Description

Tech stocks ended 2021 on a bearish note, as Canada brought into effect the digital service tax (DST) on January 1, 2022. The Nasdaq Composite Index fell 1.57%, along with other TSX shares that fall under the DST. Stocks of **Shopify** (TSX:SHOP)(NYSE:SHOP), **Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD), **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX), and **Kinaxis** (TSX:KXS) fell.

Canada's digital service tax

The Canada Revenue Agency (CRA) will levy a 3% DST on certain revenue earned by large businesses. Many companies use digital services for the cost benefits it brings. This service tax will increase the cost of some digital services, thereby impacting their customers.

The DST will apply to large organizations that meet either of the two revenue thresholds:

- The total fiscal year revenue of the company is €750 million or more, or
- The Canadian in-scope revenue for the calendar year is $20 million or more.

In-scope revenue is the revenue earned from the online marketplace, advertising, social media services, and user data. It also includes commissions earned from facilitating supplies between users of the online marketplace.

Shopify, Lightspeed, Descartes, and Kinaxis meet the threshold. While Shopify and Lightspeed provide an online marketplace, Descartes and Kinaxis provide supply chain management services to e-commerce companies. Between December 30, 2021, and January 4, the two e-commerce stocks fell 6.32%, while Descartes and Kinaxis fell 6.8% and 5.68%, respectively. This bearishness is short-lived, as the market is pricing in the impact of the tax.

What should you do with the four growth stocks?

Now, the four shares have a history of delivering extraordinary growth, or at least decent growth, over the years. So, is it right to sell these growth stocks? Tech stocks have been through the worst crises — the pandemic and the trade war — and have emerged to continue their growth.

The above four companies' strength is their cost-effective services. You can have an online marketplace for far less cost than a brick-and-mortar store. Can a 3% service tax remove this benefit? I don't think so. Even for supply chain services, the savings these services offer far outweigh the increase in cost from DST.

The pandemic has made these digital services sticky. The companies and customers will absorb the cost and return to growth.

Shopify stock

Even before the pandemic, Shopify stock surged over 180% in a year (February 2019-2020). You can argue that the stock has come off age from a mid-cap stock to a large-cap stock. This has limited its upside to around $2,200, but even that is a 42% upside. Although 42% is not as lucrative as 180%, it is attractive enough to buy the stock. A 44 times price-to-sales (P/S) ratio makes it a cheap growth stock worth holding.

The last five years have been a growth journey for Shopify, with 2021 showing tepid growth. The next five years could bring stable or normalized growth of 15-20%. But that is if Shopify continues its sustainable growth and does not fall prey to a short-seller like Spruce Point Capital.

Lightspeed stock

Unlike Shopify, Lightspeed has a volatile year ahead. Spruce Point Capital released a bearish report on the company, and the stock lost 68% of its value. It accused Lightspeed of reporting inflated performance data and the slowdown in growth rate. But investors seem to have overreacted, and their fears have created an opportunity to buy a high-growth stock at a heavy discount of 14 times P/S ratio.

Lightspeed continues to provide omnichannel solutions to retailers and restaurants. The pandemic has also made its product sticky, as there are frequent lockdowns. The company continues to post a 50% average revenue-growth rate, and a 14 times P/S ratio suggests that the stock is undervalued. Once the pessimism subsides and growth returns, this stock could double your money in a year.

Descartes and Kinaxis

Descartes stock has delivered 20% average growth in the last six years, while Kinaxis stock has been volatile. But the growing supply chain challenges make their services sticky. They enjoy healthy revenue and profits, making them value stocks to buy the dip.

The above four shares can make you rich once they resume growth.

CATEGORY

1. Investing
2. 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:KXS (Kinaxis Inc.)
6. TSX:LSPD (Lightspeed Commerce)
7. TSX:SHOP (Shopify Inc.)

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Date
2025/06/28
Date Created
2022/01/05
Author
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