2 Top Stocks to Buy Amid the Stock Market Correction

Description

Equity markets are under the pump right now after experiencing a sharp rally since March 2020. The tech-heavy NASDAQ index officially entered correction territory last week and is now down 13% below all-time highs.

Alternatively, stock market corrections, defined as a 10% decline from recent highs, also provide investors an opportunity to buy quality stocks at lower prices. Here, we'll look at two such stocks that should be part of your shopping list amid the ongoing market dip.

Shopify

An e-commerce giant, **Shopify** (TSX:SHOP)(NYSE:SHOP) is down 48% from all-time highs, valuing it a market cap of $140 billion. Despite its massive pullback, Shopify stock has returned 3,460% to investors since its IPO in 2015.

Shopify managed to grow its sales by 86% year over year in 2020, as the pandemic forced merchants to set up an online presence. However, its top-line growth decelerated in 2021 to 66% year over year in the first nine months of 2021, as lockdown restrictions were relaxed.

SHOP stock touched a record high in November 2021 and was then valued at 37 times 2021 sales. Wall Street expects sales to rise to $5.8 billion in 2021 and $7.7 billion in 2022. Comparatively, its adjusted earnings might touch $8.71 per share in 2022.

At current valuations, Shopify stock is trading at a forward price-to-2022 sales multiple of 18 and a price-to-earnings multiple of 100, which is still steep. But it's impossible to time the market, making Shopify a top contrarian buy right now.

Shopify continues to expand its suite of products and solutions. In the last few years, it has introduced a payments platform and launched a logistics network, allowing it to expand its merchant base aggressively.

Analysts expect SHOP stock to touch US$2,200 in the next 12 months, which is 150% above its current trading price.

goeasy

goeasy (TSX:GSY) stock is down 35% from all-time highs but has still returned 2,400% in the last 10 years. It is one of Canada's leading non-prime consumer lenders, and the company's consumer loan portfolio recently surpassed $2 billion.

goeasy's CEO and president Jason Mullins stated, "While it took nearly 13 years to reach the first $1 billion in 2019, we are proud to have doubled the business, reaching $2 billion in consumer loans within two-and-a-half years."

goeasy continues to improve shareholder wealth via a combination of organic growth and strategic acquisitions, such as LendCare. The company will continue to expand its customer base by widening its product range, developing a robust distribution strategy, and entering new markets. goeasy estimated to end 2023 with a loan portfolio of between $2.8 billion and $3 billion.

GSY stock is trading at a market cap of $2.3 billion, and its sales are forecast to touch $984 million in 2022, up from $653 million in 2020. Its adjusted earnings are also expected to rise at an annual rate of 12% in the next five years.

GSY stock is valued at a forward price to 2022 sales of less than three and a price-to-earnings multiple of 11.8, which is really cheap given its growth rates and a forward yield of 1.9%. Bay Street has a 12-month average price target of $231 for the stock, which is 63% above its current trading price.

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