



Why You Should Buy Shopify and Lightspeed Stock Right Now

Description

The selloff in the market has led to a significant compression in the valuation of several high-growth TSX stocks, creating a solid buying opportunity for investors with a long-term mindset. Take **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) or **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)), for instance. Shares of both these companies have declined quite a lot, making their valuations well within investors' reach.

While these stocks have lost a substantial amount of value, their long-term fundamentals remain intact, implying these stocks have solid upside potential from the current levels and could handily outperform the benchmark averages in the long term.

Let's delve deeper and look at the reasons to know why Shopify and Lightspeed stocks are excellent long-term picks.

Shopify

The slowdown in growth is the biggest reason why investors dumped Shopify stock. During the Q4 conference call, Shopify announced that its revenue growth in 2022 will compare unfavourably with 2021, with the first half of the year witnessing slower sales.

This shouldn't surprise much, as management warned earlier that economic reopening would likely impact its growth in the near term. Further, it was apparent that difficult year-over-year comparisons would affect its performance, especially in the first half. Thus, the market's response to Shopify's Q4 results and guidance seems to be an overreaction.

Nevertheless, the recent selloff wiped out pandemic-related gains, while Shopify's valuation has dipped below the pre-COVID levels, creating a solid opportunity to buy its stock. Shopify stock is trading at NTM (next 12-month) EV-to-sales multiple of 14.3 — significantly below its historical average.

While Shopify stock is looking attractive on the valuation, this e-commerce company continues to invest in growth initiatives that include strengthening of its e-commerce infrastructure and bolstering its

own fulfillment network. Further, Shopify continues to expand its products suite and expand into newer geographies, which will likely accelerate its growth in the long term.

Overall, Shopify's growing market share, increased adoption of payments solutions, growing social commerce capabilities, and expansion of merchant services position it well to capitalize on the secular industry trends and makes it highly [attractive at current levels](#).

Lightspeed

A short report from Spruce Point Capital Management and the expected slowdown in organic growth contributed to the decline in Lightspeed stock. Due to the significant correction in its price, Lightspeed is trading at NTM EV-to-sales multiple of 5.4, which is about one-third of its pre-COVID levels.

The significant compression in Lightspeed's valuation represents an excellent buying opportunity for investors. While Lightspeed stock is [trading cheap](#), it continues to grow rapidly due to acquisitions and strength in its base business.

Though the difficult year-over-year comparisons could impact its near-term financials, digital transformation and expansion of its products and services will likely drive its revenues at a healthy pace in the long term. The shift in selling models towards omnichannel platforms, acquisitions, and expansion into high-growth verticals and markets would accelerate its growth.

Further, the growing penetration of its payments solutions, new product launches, adoption of multiple modules by its customers, cross-selling opportunities, and a large addressable market support my bullish view.

CATEGORY

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2. Tech Stocks

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:SHOP (Shopify Inc.)

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