



2 Cheap TSX Stocks Under \$40 for Medium-Risk Investors

Description

When [investing in the stock market](#), there is a risk of the stock price falling. But the severity of the risk varies. High risk brings high returns, but not all high-risk stocks generate high returns. Hence, a good strategy could be to take a middle ground. For example, investing a larger portion of your portfolio in low-risk stocks and ETFs and 20% in medium-risk stocks could be a good strategy.

How to identify stocks with moderate risk

Medium-risk stocks are generally companies with a good business model in the growth stage. They are tapping a secular trend with long-term growth. However, their business may be facing some challenges in the short term that have pulled down their stock price. If the management succeeds in this stress test, the future of such stocks is bright.

Does this ring a bell? Yes, **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) is one such stock. And another stock is **Dye & Durham** ([TSX:DND](#)). Both are [tech stocks](#) that rallied in the pandemic bubble. They enjoyed the bullish enthusiasm of investors. But then the tech bubble burst and both stocks came crashing down for industry, macro, and company-specific reasons. But none of these reasons have impacted the secular growth trends these companies enjoy.

Let's see how.

Lightspeed Commerce

Lightspeed stock has lost almost 79% in valuation since September 2021 and is trading at an eight times price-to-sales ratio. The company reported organic revenue growth of 74% in the third quarter of fiscal 2022. It expects to generate 35%-40% average annual revenue growth in the long term. An eight times ratio is cheap for a 40% revenue growth company.

Lightspeed stock fell due to a series of events. It started with Spruce Point Capital's report that Lightspeed reported inflated performance metrics. Then came rising inflation, which impacted holiday

season sales followed by the Omicron wave and fears of an interest rate hike by the U.S. Fed. The last two factors led to a [tech sector sell-off](#).

Amid this, Lightspeed founder and CEO Dax Dasilva moved to the role of executive chair of the board and named President JP Chauvet the new CEO. When things are uncertain, management changes tend to shake investors' confidence. This cascading effect of micro and macro factors pulled Lightspeed stock below \$35. In the **NYSE**, the stock is trading at US\$26.6, the lower side of Spruce Point's suggested price range of \$22.5–\$45. To add to this, Lightspeed's rival **Shopify** reported weaker guidance for 2022 as the pandemic effect fades.

Lightspeed's long-term growth drivers

But the growth catalysts still remain. Lightspeed still has an omnichannel platform, and it is still winning customers in the retail and restaurant sectors. It is also expanding Lightspeed payments and Supplier Network. It is accruing the acquisition synergies and is looking for new acquisition targets.

Lightspeed earns 45% of its revenue from subscriptions and 50% from transactions. None of the growth drivers have been affected. The reopening of the economy saw a pick-up in the restaurant sector. Lightspeed has growth potential in the long term but a downside risk in the short term.

Dye & Durham stock

Dye & Durham stock lost 38% in valuation since December 22, 2021, and is trading at 41.5 times its forward price-to-earnings ratio. The stock took a 22% plunge in the first week of February when it hiked prices, including a 900% increase for its Unity software. This ignited a \$200 million class-action lawsuit alleging the company reneged on a promised price freeze and violated federal competition laws.

DND's [latest earnings](#) showed that it has a 57% adjusted EBITDA margin. It also reduced its net loss to \$4 million from \$21.5 million the year before. These figures show that the company didn't need to hike prices. This issue could impact DND's stock price in the short term.

But a major acquisition of Australia-based Link Administration Holdings is on its way. This \$3.2 billion deal could help DND expand into adjacent markets (financial services and corporate segment) and geographies (Australia and the U.K.). If the acquisition is successful, DND stock could grow significantly.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:DND (Dye & Durham Limited)
3. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jguest
2. pujatayal

Category

1. Investing
2. Tech Stocks

Date

2025/08/31

Date Created

2022/02/21

Author

pujatayal

default watermark

default watermark