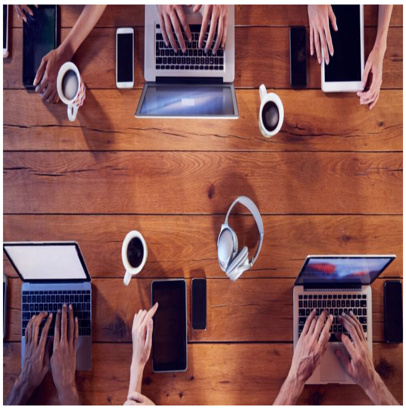

2 Beaten-Down Tech Stocks Better Than Shopify

Description

Canadian e-commerce giant **Shopify** (TSX:SHOP)(NYSE:SHOP) has seen its market value plunge by 63% since the end of October 2021. The stock is down by another 5.6% in pre-market trading on February 24, as Russia confirmed its onslaught on Ukraine, dragging global indices significantly lower.

Despite the ongoing pullback, Shopify stock is valued at a market cap of US$78 billion. Analysts tracking the stock expect it to increase sales by 31% to US$7.72 billion in 2022 and by 33% to US$10.3 billion in 2023. So, it's trading at a forward price-to-2022-sales multiple of more than 10, which is expensive given the company is experiencing a steep deceleration in top-line growth.

Shopify's revenue rose by 86% year over year in 2020 and by 58% year over year in 2021. Comparatively, the company will be investing heavily in capital expenditures, which will hurt Shopify's bottom line severely in 2022. Analysts expect Shopify's adjusted earnings per share to narrow from US$8.18 in 2021 to US$6.12 in 2022, valuing the stock at a price-to-earnings multiple of over 100 times.

We can see despite Shopify's slump, the company is trading at a premium, making it a high-risk bet if markets turn volatile. Here, we'll look at two other beaten-down tech stocks that are better than Shopify that growth investors can consider right now.

Upstart

A fintech growth stock, **Upstart** (NASDAQ:UPST) has been extremely volatile since it went public in late 2020. UPST stock is currently down 71% from all-time highs but has also returned 155% to investors since its IPO.

In Q4 of 2021, Upstart increased sales by 252% to US$305 million while net income grew by a mammoth 579% year over year. In 2021, its revenue soared by 271% year over year to US$847 million. Analysts expect the top line to expand by 65% to US$1.4 billion in 2022 and by 35% to US$1.9 billion in 2023.

Given its market cap of US$9.45 billion, Upstart is valued at a forward price-to-2022 sales multiple of 6.8, which is reasonable given the company's astounding growth rates.

Upstart provides its services to banks that enable the latter to assess the credit risks of borrowers. Here, banks can approve additional loans while maintaining their current risk profile. Upstart has the potential to keep expanding revenue at a stellar pace given it has just entered the auto lending space. The company may soon enter the mortgage segment, which is a multi-trillion market, making UPST the perfect long-term bet at current prices.

Broadcom

One of the largest technology companies in the world, **Broadcom** (NASDAQ:AVGO) shares are trading just 16% below all-time highs. It also offers investors a tasty dividend yield of 2.8%, considering it pays an annual dividend of US$16.4 per share.

Broadcom has already increased dividends for 12 consecutive years. In the last five years, these payouts have increased at an annual rate of 50%. Despite these increases, the payout ratio for AVGO stock is just 46%. Further, its revenue has grown at an annual rate of 10% in the last three years, and its earnings are forecast to rise at an annual rate of 14.7% in the next five years.

At the time of writing, AVGO stock is trading at a discount of 25% to consensus price target estimates.

CATEGORY

1. Investing
2. Tech Stocks

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2. NASDAQ:UPST (Upstart Holdings Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:SHOP (Shopify Inc.)

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Date
2025/09/10
Date Created
2022/02/24
Author
araghunath