



Investing in Canada: 2 Wonderful Stocks to Buy at a Wonderful Price

Description

The Russia-Ukraine war has put Canada in the [limelight](#) for its rich natural resources. The energy and finance-heavy **TSX 60 Index** surged over 6% since the war broke on February 24. With commodity prices at their highs, it would be wise not to invest a large amount in commodity stocks if you are looking long term. Commodity stocks could likely surge this year, but they will eventually stabilize as the demand and supply forces achieve breakeven.

If you are looking for stocks you can invest in and forget for five years, look for undervalued stocks with significant growth potential.

My two stock picks for April

“It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

[Warren Buffett](#)

The tech stock crash in December opened a window of opportunity to buy stocks of wonderful companies at wonderful prices. I have picked two such wonderful stocks for April:

- **Dye & Durham** ([TSX:DND](#))
- **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#))

Before I present my case for why I am bullish on these stocks, know that I am looking at the business and its future growth potential. Whatever is happening with their stock price is short-term noise that will be silenced with good performance. As Buffett says, “If a business does well, the stock eventually follows.”

Dye & Durham stock

Dye & Durham provides legal, financial, and business professionals with information services, workflow management, and professional practice software. It has long-term service contracts with blue-chip companies that helps it maintain a strong adjusted EBITDA margin of 57%. The company has adopted a growth by acquisition strategy and acquired more than 20 companies since 2013. Its latest and biggest acquisition is Link, which will help it expand in the U.K. and Australia.

While all this looks rosy, the stock is down 42% from its December 2021 high. The sell-off in the overall tech sector is partially to blame. But the stock has failed to climb the recent rally as it is going through a [class action lawsuit](#). Its legal customers accused the company of breaching its written commitment to not hike prices for three years. The price hike gives DND customers a competitive disadvantage.

This lawsuit has made investors skeptical. If DND settles the lawsuit, the stock has strong growth prospects. But the risk is DND rivals can take advantage of the lawsuit and poach its customers. So there is growth for those willing to take the risk.

Lightspeed stock

Lightspeed is an omnichannel platform for small and mid-sized retailers and restaurants. It helps these outlets with orders, billing, inventory, marketing, and multiple store management. Like DND, Lightspeed also went on an acquisition spree to consolidate the fragmented market in which it operates. Unlike DND, it took equity capital to fund acquisitions, keeping its debt to a bare minimum. That is a fair decision given its huge losses.

Lightspeed stock was riding the e-commerce rally before a negative report by short-seller Spruce Point Capital made investors doubt their favourite company. Spruce Point benefitted as Lightspeed stock fell 80%. The report showed that Lightspeed had misrepresented financial metrics and hidden a high churn rate under acquisitions. It also pointed at Lightspeed's ballooning losses. But the tech company reported over 50% organic revenue growth.

Lightspeed has also cooled down on its acquisition spree and is now focusing on integrating and growing with the acquired companies. This could see its 100%+ revenue growth coming from accretive accounting of acquired companies to slow to 40%-50% organic growth. Even for a 50%+ revenue growth, the stock is trading at a cheap price of just 8.8 times sales per share.

Final takeaway

DND and Lightspeed have growth potential but not the kind you saw in the 2020 tech bubble. The past performance doesn't guarantee future returns. Hence I didn't mention the rally they climbed before. What counts is their valuation and future growth potential. They have good business, good products, and the ability to gain market share in the long term. Those are the traits of a wonderful company.

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. Yahoo CA

PP NOTIFY USER

1. jguest
2. pujatayal

Category

1. Investing
2. Tech Stocks

Date

2025/07/01

Date Created

2022/03/31

Author

pujatayal

default watermark

default watermark