2 Tech Stocks With up to 238% Upside, According to Wall Street

Description

Equity portfolios geared towards growth stocks have taken a hit in recent months. Investors are rethinking their positions due to multiple interest rate hikes as well as inflation numbers that are near 40-year highs. However, there is a chance that the selloff surrounding expensive tech stocks has gone too far, making them top contrarian bets right now.

Let's take a look at two tech stocks that can help you deliver outsized gains over time.

Shopify

Valued at a market cap of $73.6 billion, **Shopify** (TSX:SHOP)(NYSE:SHOP) stock is down 72% from all-time highs. Despite the ongoing pullback, Shopify stock has returned 1,770% to investors since its IPO in 2015.

Investors are wary about Shopify's decelerating revenue growth and sliding profit margins after the company gained significant traction amid COVID-19. While Shopify's sales are forecast to rise by 32% to $7.7 billion in 2022, its adjusted earnings are forecast to narrow by 46%, which shows it continues to sacrifice profit margins for growth.

However, Shopify ended 2021 with a merchant base of over two million, allowing it to derive steady sales in the form of subscriptions. It continues to expand its suite of products that include launching money management accounts for merchants and hosting a robust platform for brands. Shopify will soon offer NFTs, or non-fungible tokens, to increase engagement between businesses and customers.

SHOP stock is valued at a forward price-to-sales multiple of less than 10 and a price-to-earnings ratio of over 100, which is quite expensive. But analysts have a 12-month average price target estimate of US$1,552, which is 238% above its current price.

Upstart

Valued at US$6.73 billion by market cap, **Upstart** (NASDAQ:UPST) has increased sales from US$96 million in 2018 to US$841 million in 2021. The lending company expects sales in Q1 of 2022 to surge by 65% year over year and net income to expand by 80%.

Comparatively, revenue is poised to grow by 65% in 2022 as well, as Upstart continues to expand its customer base by providing lending software to banks and financial institutions.

Alternatively, the threat of multiple interest rate hikes has sparked fears of an economic recession and investments are likely to move towards safer haven assets such as gold or bonds. Additionally, Upstart is part of the lending industry which is a cyclical business. So, a recession could result in subdued lending activity for Upstart's banking partners in the near term.

Upstart leverages its artificial intelligence and machine learning tools to better assess the credit risk metrics of customers. It uses 1,600 variables to analyze credit risk for its 42 banking partners, allowing it to improve loan approval rates by 27%.

Upstart turned profitable and is expected to end 2022 with adjusted earnings per share of US$2.28. Right now, UPST stock is valued at a forward price-to-2022-sales multiple of 4.3 and a price-to-earnings ratio of 35, which is quite reasonable given its growth forecasts. Analysts tracking UPST stock expect shares to rise by 125% in the next 12 months.

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1. Investing
2. Tech Stocks

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araghunath