2 Beaten-Down TSX Stocks to Buy in May 2022

Description

So far, this year has been difficult for equity investors. The ongoing supply concerns, high inflation, and rising interest rates weighed on most stocks, eroding billions from their market. Meanwhile, Russia's invasion of Ukraine added to investors' pain. Given the uncertainty, the stock market's trajectory is unlikely to change in the short term. However, the massive price correction provides an excellent buying opportunity in some of the top TSX stocks.

While several TSX stocks have lost substantial value, here are my top two picks.

Shopify

Amazon's latest financial performance is indicative of what's in store for **Shopify** (TSX:SHOP)(NYSE:SHOP) during Q1. Notably, the economic reopening, cost headwinds, inflation, and supply challenges weighed on Amazon's Q1 growth. Further, Amazon's Q2 guidance suggests a further slowdown in growth. As for Shopify, which is scheduled to announce its Q1 financials on May 5, the operating results could be similar.

Notably, Shopify had warned investors of a slowdown in the first half of 2022, with the lowest growth in Q1. Given its weak guidance, consumer spending headwinds, pressure on margins, and tough comparisons, investors punished Shopify stock, which has lost about 75% of its value from its peak. Further, it is down over 68% this year.

While Shopify's growth is expected to further slow in Q1, the significant decline in its stock caps the downside risk. Moreover, it provides an entry point for long-term investors, as Shopify is expected to benefit from the ongoing digital shift. Further, its accelerated investments in internet commerce infrastructure bode well for future growth and are likely to drive its market share.

Further, Shopify's growth is expected to reaccelerate in the second half, as it faces easier year-over-year comparisons and would benefit from investments. Also, new products and services, strengthening of its fulfillment network, expansion of payments solutions, and new marketing and sales channels could continue to drive new merchants to its platform.

The significant correction in its price has led to a massive compression in its valuation. Shopify stock is trading at a forward EV/sales multiple of 7.8, which compares favourably to its historical average and is at a five-year low.

Overall, Shopify's solid business, secular industry trends, ability to drive merchants to its platform, product and geographic expansion, and low valuation make it an attractive investment at current price levels.

Lightspeed

Similar to Shopify, **Lightspeed** (TSX:LSPD)(NYSE:LSPD) stock has lost a massive amount of its value. It's worth noting that the shares of this omnichannel commerce-enabling platform provider have dropped over 83% from its 52-week high. While general market selling and fear of a slowdown in growth weighed on Lightspeed stock, a short report from Spruce Point added to its shareholders' pain.

Despite the concerns around its organic growth, Lightspeed's management remains upbeat and expects organic revenue to grow by 35-40% annually in the future. Further, the accelerated pace of shift towards the omnichannel selling platforms augurs well for growth.

Lightspeed could also benefit from its growing payments penetration. Moreover, its focus on driving higher revenue from the existing customers is encouraging. Also, new offerings, growth in user base, international expansion, and acquisitions support my bullish view.

Owing to a decline in its price, Lightspeed stock is trading at a forward EV/sales multiple of 3.6, which is significantly below the historical average. Meanwhile, its solid organic growth forecast indicates that now is an opportune time to buy Lightspeed stock.

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2. Tech Stocks

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

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snahata