



Which TSX Tech Stocks Offer the Best Value?

Description

The macroeconomic concerns, including high inflation and rising interest rates, have led investors to turn their backs on high-growth tech stocks. Moreover, normalization in growth due to tough comparables and geopolitical conflict further pressured tech stocks.

Due to the recent selling, top Canadian tech stocks like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have lost [substantial value](#). It's worth mentioning that Shopify stock has fallen over 73% this year. Moreover, it is down more than 79% from its peak.

The sector-wide valuation compression, increase in the factors impacting consumer spending, and a slowdown in growth limits the upside in Shopify stock in the short term. However, Shopify stock is trading at an NTM (next 12-month) EV/sales multiple of 6.4, which is at a six-year low. This creates a solid opportunity for investors to include Shopify stock in their portfolios.

While Shopify stock is trading cheap, it has expanded significantly over the years. Shopify continues to gain market share in the U.S. retail and, through accelerated investments, it has strengthened its fulfillment network and overall e-commerce infrastructure. Though the tough comparisons could weigh on its recent quarterly performance, Shopify is well positioned to capitalize on the accelerated shift towards digital commerce.

New product launches, the addition of high-growth sales and marketing channels, and entry into new geographies will likely drive its merchant base. Furthermore, the expansion of its own fulfillment network, growing adoption of its payment offerings, and strength in social commerce are positive.

Overall, Shopify stock offers excellent value at the current price levels and has the potential to outperform the broader market averages handily.

Besides Shopify, let's look at two more Canadian stocks that are top value bets at current levels.

Lightspeed

Lightspeed ([TSX:LSPD](#))([NYSE:LSPD](#)) stock has fallen over 84% from its 52-week high. A short report raising concerns over its growth and general selling in tech stocks is why Lightspeed stock lost so much value.

Due to this decline, Lightspeed stock is trading at an NTM EV/sales multiple of 3.2, which is significantly below the pre-pandemic levels and reflects a sharp discount from its historical average. It's worth mentioning that Lightspeed's two-pronged growth strategy (internal growth and acquisitions) continues to support its financials.

Lightspeed delivered strong organic revenue growth during the last reported quarter. Moreover, the company remains confident in achieving 35-40% organic growth per annum in the future years. Besides the strength in the base business, its opportunistic acquisitions, growing payments penetration, and expansion of product suite position it well to benefit from the digital shift. Moreover, its growing customer base and focus on increasing revenue per user bode well for growth.

WELL Health

WELL Health ([TSX:WELL](#)) has lost about 57% of its value from the 52-week high. It is trading at an NTM EV/sales ratio of 2.3, which is at a multi-year low. While WELL Health stock has corrected quite a lot, it consistently delivers robust financial performance and is on track to deliver profitable [growth](#) in 2022.

Its top line surged about 395% in Q1, benefitting from higher omnichannel patient visits. Notably, WELL Health's omnichannel patient visits increased 62% year over year, which is encouraging. Moreover, its virtual services revenues soared by 174%.

WELL Health delivered solid adjusted EBITDA and expects to deliver positive adjusted net income for the full year.

The company is confident the momentum in its business will likely sustain irrespective of the tough macroeconomic and geopolitical environment. It raised its full-year revenue guidance, which is positive. Further, its focus on specialty areas and acquisitions augur well for growth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:SHOP (Shopify Inc.)
5. TSX:WELL (WELL Health Technologies Corp.)

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Date

2025/07/03

Date Created

2022/05/16

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