



Here's Why to Buy Shopify (TSX:SHOP) and Lightspeed (TSX:LSPD) Stock

Description

Tech stocks have seen huge price corrections due to the tough comparisons, slowdown in growth, and macro headwinds. For instance, shares of the e-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have corrected about 81% from its 52-week high. Meanwhile, **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)) has dropped 83% from its high.

While these [tech stocks](#) declined quite a lot, macro uncertainty could continue to limit the recovery in their prices, at least in the short term. However, these tech stocks have solid fundamentals and a high probability of bouncing back, generating stellar returns for their investors in the long term. Let's look at why investing in these tech stocks could be profitable in the long term.

Shopify's growth will likely accelerate

The slowdown in e-commerce growth amid the reopening of retail locations acts as a dampener for Shopify. Moreover, its investments in growth initiatives took a toll on margins. However, the massive decline in Shopify stock presents a solid opportunity for long-term investors to go long at current levels.

Shopify's strong competitive positioning, focus on expanding its products to new geographies, and solid capital investments position it well to capitalize on the acceleration in e-commerce growth and drive its market share. Its growth initiatives have started to gain traction, while it faces easier year-over-year comparisons in the coming quarters. This indicates that Shopify's growth will likely accelerate.

Shopify is strengthening its own fulfillment and recently acquired Deliverr, which would reduce the delivery time. Moreover, the growing penetration of its payments offerings, a large addressable market, and momentum in social commerce will support its growth.

Overall, Shopify's long-term fundamentals remain strong, and the company could soon realize the benefits of its investments.

The ongoing momentum in Lightspeed's business is a positive

While Lightspeed stock has crashed, the momentum in its business sustains, which supports my bullish view. It has been growing its organic sales quite well. Further, its acquisitions expand its addressable market, add new customers, and accelerate product development.

It's worth mentioning that Lightspeed is benefitting from the reopening of retail locations and restaurants. As these businesses benefit from the easing of COVID-led restrictions, Lightspeed's management expects them to invest in tech and expand their footprints, which would drive demand for its offerings.

This was well evidenced during the last reported quarter, wherein it delivered solid growth, despite tough comparisons.

Lightspeed's management remains upbeat and expects to deliver an organic growth of 35-40% in FY23, which is encouraging. I see this guidance as conservative, as its focus on expanding to new countries, acquiring high GTV (gross transaction volume) customers with solid unit economics, and an increasing number of customers adopting multiple modules position it well to deliver stellar growth and expand core ARPU.

Lightspeed also focuses on increasing its penetration in existing markets, entering new verticals, and launching new products. Moreover, its growing payments penetration rate suggests that it has a robust multi-year growth opportunity ahead. Lightspeed actively pursues acquisitions to accelerate its growth and solidify its position in high-growth markets.

All in all, the steep correction in its stock and its solid fundamentals make it attractive to invest in Lightspeed stock.

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Author

snahata

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