



Can Shopify (TSX:SHOP) and Lightspeed (TSX:LSPD) Recover Before 2023?

Description

The pandemic accelerated the pace of digital shift and drove demand for the products and solutions of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)). Thanks to the stellar demand, shares of these commerce-enabling companies surged significantly in value.

However, the economic reopening, absence of government stimulus, and normalization in consumer behaviour weighed on the stock prices of these [tech companies](#). Further, fear of a slowdown in the economy amid high inflation and rising interest rates has lowered investors' risk appetite for high-growth stocks.

All these factors erased a substantial portion of the market cap of these companies. Notably, Shopify stock has slumped about 82% from its high. Meanwhile, Lightspeed stock has plunged nearly 83% from its 52-week high.

As Shopify and Lightspeed stock decreased quite a lot, could the second-half lead to a recovery in their prices?

Shopify faces easier comps

Shopify was up against tough year-over-year comparisons in the first half of 2022. However, the internet-based commerce platform provider faces easier comparisons in the back half of the year, implying its growth could accelerate. Further, Shopify's investments in growth are gaining traction and will likely support its financials in the coming quarters.

Further, Shopify's focus on expanding its merchant solutions and strong investments in fulfillment and POS will likely support its growth. Additionally, its partnerships with social media companies, expansion of its products in new geographies, and growing adoption of its payments and capital offerings bode well for growth.

Overall, Shopify is well positioned to capitalize on the reacceleration in e-commerce growth. Further, its large addressable market, strong competitive positioning, and multiple growth catalysts provide a solid

base for outsized growth in the long term.

Momentum sustains for Lightspeed

While Lightspeed stock has lost significant value, its business continues to deliver strong growth led by strength in organic sales and benefits from acquisitions. Further, management remains upbeat and expects to deliver strong organic sales in 2022.

Though the e-commerce growth has slowed, the economic reopening supports the financials of merchants and restaurateurs and allows them to invest in technology and expand to new locations. Higher spending on tech is driving demand for Lightspeed's digital products, which is encouraging.

Lightspeed is strategically focusing on acquiring customers with solid underlying unit economics. This, in turn, will drive its ARPU (average revenue per user). Further, the penetration of existing customers with multiple modules is increasing for Lightspeed, which supports ARPU expansion. Also, its land-and-expand strategy results in higher revenues per customer with minimal incremental costs.

Besides focusing on generating higher revenues per user, Lightspeed is also expanding in new geographies and targeting new growth verticals. Its payments penetration rate is growing but remains low, implying strong growth opportunities ahead.

Lightspeed also actively pursues M&A opportunities, which will likely accelerate its growth by adding more customers, supporting expansion into new geographies, and product development.

Bottom line

Undeniably, investing in these [tech stocks](#) at current price levels could significantly enhance the overall returns of your portfolio in the long term. Further, both these companies could witness sequential improvement in growth rate. However, an uncertain macro environment and fears of an economic slowdown could restrict the upside in the near term.

CATEGORY

1. Investing
2. Tech Stocks

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

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Date

2025/07/03

Date Created

2022/07/01

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