What's Going on With Canadian Tech Stocks, Anyway?

Description

The e-commerce platform that has everything…including slower growth?

Shopify (TSX:SHOP)(NYSE:SHOP) was a darling among Canadian tech stocks. The company offers an online commerce platform that is easy to use and configurable. A huge library of add-ons allows customers to bolt on anything from support and social media integration to inventory management.

Canada's tech stocks are well-known. More specifically, they're known for both their rapid success, and unfortunately, some truly epic failures. Here are two Canadian tech stocks that could still go either way.

Looking back over the trailing 5-year period, Shopify is one of the best-performing stocks on the market, with gains of over 200%. At its peak roughly one year ago, Shopify's stock price was well into the stratosphere. Using that same 5-year benchmark, Shopify's gains over the prior period until last year were an incredible 1,420%.

In other words, the stock has dropped a whopping 70% in the past year.

So then, what's going on with Shopify, and should investors buy the stock?

To answer that question, let's first talk about why Shopify dropped. For much of the pandemic, physical stores remained closed. Consumers were left scrambling to e-commerce sites to purchase everyday goods.

That drove the use of the platform up sharply, and by extension, Shopify's stock price. But that pandemic boost won't last forever. If we fast-forward to the current market conditions, there are no more closures.

Markets are fully open, and much of that impressive e-commerce growth has turned back into traditional brick-and-mortar traffic. That's played a part in the retreat of the stock we've seen over the past year.

Should you buy Shopify?

Fortunately, that perceived lack of growth isn't as bad as expected. Shopify provided an update for the most recent quarter this week. In that quarter, Shopify saw US$46.2 billion in transactions traverse its platform. That's an 11% bump over the prior quarter when the stock price was significantly higher.

Additionally, revenue witnessed a 22% bump in the quarter over the prior period, coming in at US$1.4 billion. As a result, on an adjusted basis, Shopify reported a net loss of US$0.02 per share, which was an improvement over the US$0.07 per share that was largely expected.

Shopify will continue to grow its platform. The only difference is that investors shouldn't expect the incredible growth witnessed during the pandemic to continue forever.

There's more to this company than cybersecurity – maybe?

Another company synonymous with the storied history of Canada's tech stocks is Waterloo-based **BlackBerry** (TSX:BB)(NYSE:BB). Today's BlackBerry is a software-first tech outfit that has a focus on cybersecurity and IoT solutions.

Both segments are showing slow promise. The IoT segment reported US$51 million in revenue in the most recent quarter, reflecting a 28% improvement over the prior period. Cybersecurity revenue, which came in at US$111 million, witnessed an 8% year-over-year decline.

Also under BlackBerry's umbrella is its impressive QNX operating system. Few investors may realize this, but QNX powers the infotainment systems on more than 210 million vehicles around the world.

More importantly, with that level of exposure, along with its knack for security and secure QNX OS, BlackBerry is in a pole position to be a market leader. The autonomous vehicle market is very much in its infancy, with several leading tech companies engaged in ushering in that next evolution.

Additionally, in the most recent quarter, BlackBerry announced that several leading automakers selected the QNX platform to power their next-gen systems.

That's great and promising, but there's a problem.

The revenue-earning potential from an embedded QNX system in autonomous vehicles is off the scale. Unfortunately, that revenue does not yet exist. And BlackBerry has been working on QNX as part of an autonomous vehicle drive system for nearly a decade.

In that time, BlackBerry has sold off its impressive IP patent portfolio and doubled down on cybersecurity and IoT. Those results are showing improvement, but it might be too slow for most.

At just over $6 per share now and with the stock down over 50% in the trailing 12-month period, investors will want to see profits soon.

Until that happens, BlackBerry might be one of the Canadian tech stocks to watch from the sidelines, unless you can handle the risk.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:BB (BlackBerry)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cleona
2. dafxentiou

Category

1. Investing
2. Tech Stocks

Date
2025/08/12
Date Created
2022/10/28
Author
dafxentiou