



Better Buy: Shopify (TSX:SHOP) vs. Canopy Growth (TSX:WEED)

Description

If you had to pick two Canadian companies making waves on the world stage, you'd be hard-pressed to find better candidates than **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC). Both of these companies are leaders in their respective fields; high-growth upstarts growing by double-digit percentages year in and year out.

In light of this, it's no surprise that these two companies' stocks are among the best performing on the **TSX Index** this year. Even with this past week's losses, Shopify is up 88% and Canopy up 64% year-to-date. And if you zoom out to a longer-term time frame, both stocks have returned even more... About 900% since IPO for Shopify, and over 1000% in the past three years for Canopy.

When comparing multi-baggers like these two, it's easy to look at historical returns and say that one is better than the other. However, there are other factors that may influence which one will do better in the long run. We can start by looking at Shopify.

The case for Shopify

Shopify is the fastest-growing publicly traded tech company in Canada, with revenue growth [over 50% year over year](#) in the past four quarters. The company's revenue growth has decelerated somewhat in recent years, but it is increasingly posting positive adjusted EPS. Shopify has a strong position in its market, as the only publicly traded e-commerce shopping cart company with a huge war chest. Although positive operating income nowhere in sight, the company is much closer to the milestone than Canopy is, with an operating loss that stands at just 11% of income (in contrasted to 157% for Canopy).

The case for Canopy Growth

The main argument for buying Canopy over Shopify is that the former is growing much faster. In its most recent quarter, Canopy [grew net revenue](#) at 280% year-over-year, far ahead of Shopify's growth rate. However, you'll want to wait until next quarter's earnings before you take that claim to the bank,

as Canopy has grown as slowly as 33% year over year in some quarters, whereas Shopify has almost always grown at over 50%. It will be interesting to see whether Canopy can continue its strong growth in upcoming quarters, as there have been some early reports that Canadians are starting to return to black market pot. For now, though, all available reports indicate that Canopy is an ultra-fast growing company.

Foolish takeaway

Canopy Growth Corp and Shopify are alike in some ways, and in other ways completely different. On the one hand, they're both fast-growing companies that are stealing the limelight in their respective niches. On the other hand, they have completely different operations and business models. As far as their actual businesses go, it's hard to compare them, but based on financial performance, it seems that Shopify is the better stock for now.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)
4. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing
3. Tech Stocks

Date

2025/06/30

Date Created

2019/05/12

Author

andrewbutton

default watermark