



Forget Uber (NYSE:UBER): Buy Shopify (TSX:SHOP) Instead

Description

In the past month, **Uber Technologies** ([NYSE:UBER](#)) has been getting a significant amount of press, owing to the popularity of the company and the poor performance of its IPO. At one point, the stock was down 10% from its IPO price due to concerns about the long-term stability of its business model. Even though Uber employs a flexible-contract driver model, the company still loses heaps of money quarter after quarter — the most recent loss being \$865 million on \$3 billion in revenue.

With losses that high as a percentage of revenue, it looks like Uber is a long way from profitability. For many, that puts a major damper on what's otherwise an exciting and trendy investment. Fortunately, if you want to enjoy some of those sweet tech profits without sinking money into a risky proposition, there's a stock trading on the TSX that's growing much faster than Uber, with positive adjusted earnings to boot.

The name of that stock?

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)).

Earnings growth

Shopify beats the pants off of Uber in terms of revenue and earnings growth. Whereas Uber's revenue grew just 24% year over year in its most recent quarter, Shopify cranked out an [epic 50% sales surge](#). In terms of profit, Shopify also ran circles around Uber, with adjusted EPS up 97% year over year, while Uber's adjusted earnings were negative. For fairness's sake, it should be mentioned that Shopify is also losing money in GAAP terms, though even on that count, the loss is much smaller than Uber's.

Market competition

One advantage Shopify has over Uber is that it faces less serious competition. Although there are plenty of [e-commerce shopping carts](#) with sizable market share, there are none with substantial investor backing and financial resources like Shopify. Uber, however, competes directly with **Lyft**,

another Silicon Valley darling with a 30% market share.

Path to profits

Shopify has a much clearer path to profitability than Uber does. As mentioned before, it's already posting positive adjusted earnings. More to the point, however, its GAAP loss is much smaller as a percentage of revenue, sitting at around 1% in the most recent quarter. By contrast, Uber's Q4 loss was nearly a third of revenue.

Bottom line

For three years now, Shopify has been one of the best-performing stocks on the TSX, rising 950% in the markets and hitting new highs almost on a daily basis. It's not hard to see why. With revenue growth consistently in the high double digits and GAAP losses growing ever smaller, it's only a matter of time before this company becomes a profit-pumping machine. Compared to Uber, whose path to profits is much less clear, Shopify is a great value with tons of upside. If you must pick just one of these two, there's no doubt that Shopify is it.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. NYSE:UBER (Uber Technologies, Inc.)
3. TSX:SHOP (Shopify Inc.)

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