



Worried That Shopify (TSX:SHOP) Stock Has Peaked? Buy This Recent IPO Instead

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the biggest TSX success stories over the past three years. Since its IPO, it has risen more than 1,000%, shooting up 136% this year alone. Apart from weed stocks, no other TSX component has made investors wealthier faster than Shopify has ... and Shopify did it *without* the volatility that plagues the marijuana sector.

However, Shopify's extreme stock price gains have come at a cost. While the company is a growth superstar, growing revenue at 50% year over year, its stock price is rising faster than the growth in the underlying business. As a result, SHOP shares are extremely expensive, trading at 42 times sales and 23 times book value.

In light of this, investors seeking quick tech gains may profit by looking elsewhere. Although Shopify has been an unambiguous winner, it's not clear that its huge growth can continue forever. There's one high-growth TSX tech stock, however, that's just getting started.

Lightspeed

Lightspeed POS ([TSX:LSPD](#)) is a software company that develops advanced [point of sale \(POS\) and analytics software](#). The company's POS systems are differentiated from conventional POS software by its supply chain analytics, which let users not only process sales but also track goods as they move through a sales pipeline. This is a unique feature that not all POS services have, which provides an incentive for users to choose Lightspeed over its competitors.

Strong gains post-IPO

Lightspeed had its IPO in early March for an asking price of \$16. As of this writing, it trades for \$38 — up 137% from its IPO price and 104% from its closing price at the first day of trading. This strong performance is in stark contrast to other 2019 IPOs like **Uber** and **Lyft**, which tanked immediately after

they began trading.

Similarities to Shopify

Part of the reason that Lightspeed is rising is the perception that it may be the next Shopify.

Indeed, there are many similarities between the two companies.

Both develop sale-processing software. Both are experiencing strong revenue growth. And both are highly international companies with users all over the world.

However, there are key differences as well. Whereas Shopify focuses mainly on e-commerce, Lightspeed is mainly targeting brick-and-mortar retail stores. This may give Shopify the edge in long-term growth, since e-commerce is growing much faster than in-store retail. However, Lightspeed also has offerings for e-commerce vendors, so its business isn't entirely wedded to the fate of retail stores.

In its first post-IPO quarterly report, Lightspeed posted [36% year-over-year revenue growth](#) and a 40% year-over-year increase in gross profit. These growth figures aren't quite as heady as Shopify's, but they're very strong, and Lightspeed's stock isn't quite as pricey as Shopify's, with a price-to-book ratio of "just" 16. However, it's undeniably an expensive stock, so you will want to keep an eye on those growth figures to make sure they can justify continued gains.

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