



2 Tech Stocks That Could Make Ottawa the Next Tech Capital

Description

Ottawa is quickly becoming prime competition to usurp Silicon Valley as the world's leader in technology startups. **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock soared on the Toronto Stock Exchange this year on a massive influx of capital.

Shopify gained 177% in the past year. Investors who have not yet invested in Shopify may have missed out the opportunity. The stock has already hit a peak, and it isn't advisable to make any new share purchases at this time. Although it may surprise investors with another run in value, it isn't something to bet on since the company has not yet posted [positive profit margins](#).

While **Kinaxis** ([TSX:KXS](#)) did not perform as well, the stock is well situated in a highly profitable technology niche. Cloud-based subscription services and supply chain management are set to soar in demand over the next decade. Kinaxis lost 20% of its market value in the past year due to general price volatility.

Although comparative stock price valuations don't reflect this, Kinaxis may have more potential to gain market power than Shopify. Moreover, Kinaxis is already profitable, while Shopify is still trying to find its way to positive cash flow.

Kinaxis to gain more market power

Unlike Shopify, Kinaxis leverages cloud-based subscription software to increase the efficiency of global supply chain operations. The supply chain and data analytics services help companies to plan inventories and shipments.

What sets this company apart are its clients in aerospace and defence. Many industries plagued by complex supply chains which pose national security risks. Kinaxis technology assists governments like the United States in monitoring supply chain risks to avoid scandals like Huawei and other espionage threats.

As the U.S. trade war continues, Canada has an opportunity to become a trusted partner in supply

chain management ahead of both the U.S. and China. Moreover, while Shopify faces intense competition from **Amazon**, Kinaxis is in an industry with quickly diminishing competition.

Shopify is a latecomer in small-business services

Shopify caters to a completely different set of clients than Kinaxis — they're mostly small-scale entrepreneurs. Shopify creates opportunities for small businesses to reach more consumers through the internet. Also, the platform provides a convenient and easy-to-use data-management system to track sales from multiple platforms, including storefronts.

Shopify's CEO Tobias Lütke is a computer programmer who works on the Ruby on Rails framework. Originally from Germany, Lütke may also have skills in sales and financing. For a technology company outside Silicon Valley, it has surprised investors with an almost 200% rise in market value this past year.

It is hard to believe that the surge in value this past year was a natural occurrence. Shopify does not issue dividends, and the company boasts negative profit margins. Thus, it is more likely that Shopify has proved to be a substantial price performer by proactively raising capital from rich, Silicon Valley investors.

Foolish takeaway

Canada has a lot of opportunities to boost exports and grow, especially while U.S. president Donald Trump wages his trade war with China. Although Canadian markets are experiencing collateral [volatility](#), this may be an opportunity for Ottawa to usurp Silicon Valley as the world's headquarters for technology innovation.

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2. TSX:KXS (Kinaxis Inc.)
3. TSX:SHOP (Shopify Inc.)

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