



## Shopify (TSX:SHOP) vs. Lightspeed POS (TSX:LSPD): Which Is the Better Buy?

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS** ([TSX:LSPD](#)) are two of Canada's hottest tech stocks. If you'd invested in either of them in March — the month Lightspeed had its IPO — you'd have doubled your money by now. Their outperformance has been so pronounced that they bested every single marijuana stock on year-to-date returns — this is noteworthy because weed was previously the TSX's biggest growth sector.

If you're looking for a hot tech startup to invest in, SHOP and LSPD are the two most obvious choices on the TSX. To help you decide which is the better bet, here's a side-by-side comparison showing the strengths and weaknesses of each.

### The case for Shopify

The case for buying Shopify is pretty simple: stellar returns and the fundamentals to back them up.

So far this year, Shopify shares are up 170%, having reached \$508 by the end of last week. The stock started off the year at \$187 and quickly skyrocketed past the \$225 mark that [most analysts consider to be the stock's fair value](#). If these gains seem too hot to last, remember that the underlying business is growing at a red-hot pace, too. In its most recent quarter, the company grew revenue by 48% and gross merchandise volume by 51%. These metrics show that Shopify vendors keep growing their sales, which leaves Shopify free to collect its subscription fees and revenue cuts.

The downside of all this growth is that Shopify has gotten extraordinarily expensive. With a price-to-sales ratio of 44 and a price-to-book ratio of 26, SHOP is easily one of the most expensive shares on the TSX. It trades at multiples you'd expect to see from marijuana stocks, and doesn't have the kind of three-figure growth that they do. However, Shopify is closer to consistent profits than any weed producer, so the comparison isn't so cut and dry.

### The case for Lightspeed

If the case for Shopify is built on growth, then the case for Lightspeed is built on (relative) value.

While LSPD's [36% year-over-year revenue-growth rate](#) can't touch Shopify's, it is somewhat cheaper: trading at 19.55 times book value, it's a bargain compared to Shopify.

Make no mistake, though: Lightspeed is an extremely expensive stock in its own right. Its price-to-sales ratio is about the same as Shopify's, and positive earnings are nowhere in sight. The company did have gross profit of \$54 million in the trailing 12-month period, so it's not an entirely speculative enterprise. However, it is a much younger and less-proven company than Shopify, which means that its prospects for future profits are less certain.

## Foolish takeaway

Shopify and Lightspeed have a lot in common. Both are involved in payment processing. Both were recent IPOs. And, most importantly, both have been beating the pants off the market. Given its faster growth and only slightly steeper valuation, I'm inclined to say that Shopify is the better buy. However, Lightspeed is a very young company that will have plenty of opportunities to surprise everyone.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:LSPD (Lightspeed Commerce)
3. TSX:SHOP (Shopify Inc.)

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