



TFSA Investors: This Tech Stock Could Surpass Shopify (TSX:SHOP)

Description

Since its IPO, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has become one of the biggest TSX success stories of the decade. Despite recent losses, it's up 1,111% from the closing price on the day of its IPO and much more from its offering price. If you'd put \$10,000 into Shopify's IPO (at the closing price), you'd be up over \$100,000 if you'd held to today. If you bought at the *offering price*, you'd be up even more than that.

But now, with SHOP starting to falter, some are starting to worry if the best is behind us. Having fallen 17% from its peak price, the stock is in a bearish trend, and the worst may be yet to come. Even with 48% year-over-year revenue growth, it's hard to justify a price-to-sales ratio of 36 — and that's where Shopify stands right now, even after all these losses.

If you want to pick up some tech gains in your TFSA, it might be wise to consider a "Shopify alternative," or at least diversify between Shopify and other holdings. The following is one stock that could be appropriate for those starting to sour on SHOP.

Lightspeed

Lightspeed POS ([TSX:LSPD](#)) is a point-of-sale (POS) company that does over \$13 billion worth of transaction volume annually. The Montreal-based company went public in March and has [risen 76% since then](#). The company [has some similarities to Shopify](#), notably the fact that it's involved in payment processing and e-commerce. However, with a stronger focus on brick-and-mortar businesses, it's not a Shopify competitor.

What is POS?

A POS terminal is a device where retail sales are closed. Lightspeed provides software for such terminals, both traditional ones and trendy modern alternatives like iPad-based POS. According to MarketWatch, point-of-sale terminals are projected to grow at 11.2% CAGR until 2023, at which point the industry will reach \$109 billion. This means that Lightspeed is in a very large market with plenty of

room to grow.

Why it could be the next big thing

The fact that Lightspeed is a “buzzy” player in a fast-growing industry like POS is good enough in itself. What really makes it stand out, however, is how it differentiates itself from its competitors.

Billing itself as “the only retail POS that helps you run your entire business,” it includes a number of features that other POS services don’t have. These include supply chain management (stock tracking), customer data, and stores comparison. These features essentially turn Lightspeed into a data analytics platform in addition to a POS service, which means it could have quite a ways to go if it catches on. Assuming its data features turn out to be popular, then it could get considerable market share in its niche.

NOT “the next Shopify”

A final point should be made clarifying some of what I’ve written already in this article.

While Lightspeed has the potential to surpass Shopify (in terms of short-term returns, not market cap), it’s certainly not Shopify 2.0. Shopify is an e-commerce platform that includes web services in addition to payment processing, while Lightspeed is a POS service that includes data analytics. The two share similarities but are not in direct competition. However, there is some limited competition between the two companies, both of which are starting to branch out, and ultimately they’re both vying to process an ever-increasing share of the world’s payments.

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