



The Better Stock to Buy for TFSA Investors in 2020

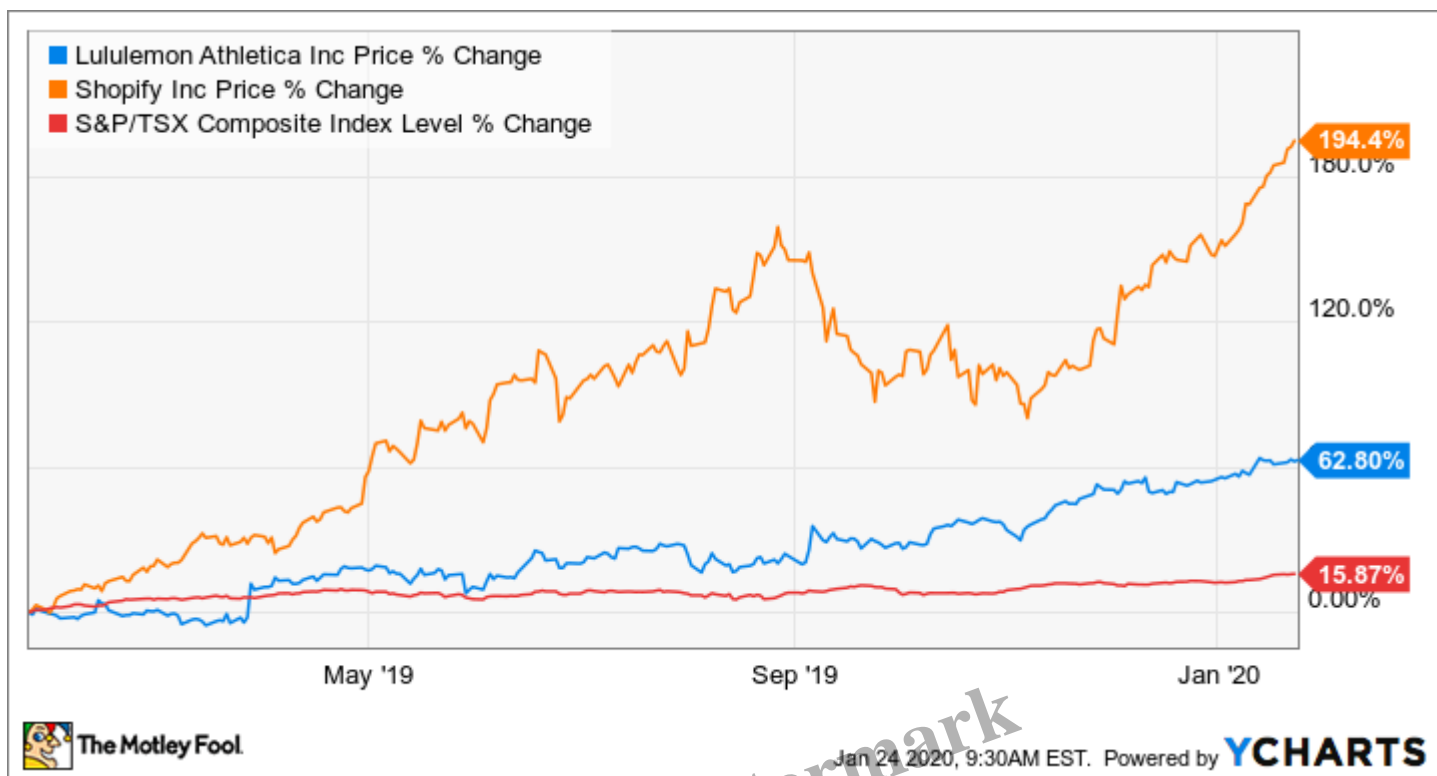
Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lululemon Athletica** ([NASDAQ:LULU](#)) have both experienced tremendous stock price gains in the past year. Canadian investors with these stocks in their Tax-Free Savings Accounts (TFSA) are growing their income without added expenses from the [Canada Revenue Agency](#). Since the [Canada Pension Plan](#) will not provide sufficient retirement income for most Canadians, leveraging the power of the TFSA to quickly and easily grow your wealth will be the advantage that you need to retire comfortably.

But, between Shopify and Lululemon Athletica, which stock will more likely give you the kind of returns that you will want to maintain your current standard of living during retirement?

Shopify's stock price run might be trouble next year

I don't believe Shopify's stock price performance last year is an indication of future performance. While I'd like to say that the stock can keep up the momentum (and it may actually surprise all of us skeptics), Shopify is a ticking time bomb. You may even end up losing money to billionaire investors with greater retirement potential than you. That being said, I just don't trust Shopify's outstanding price run.

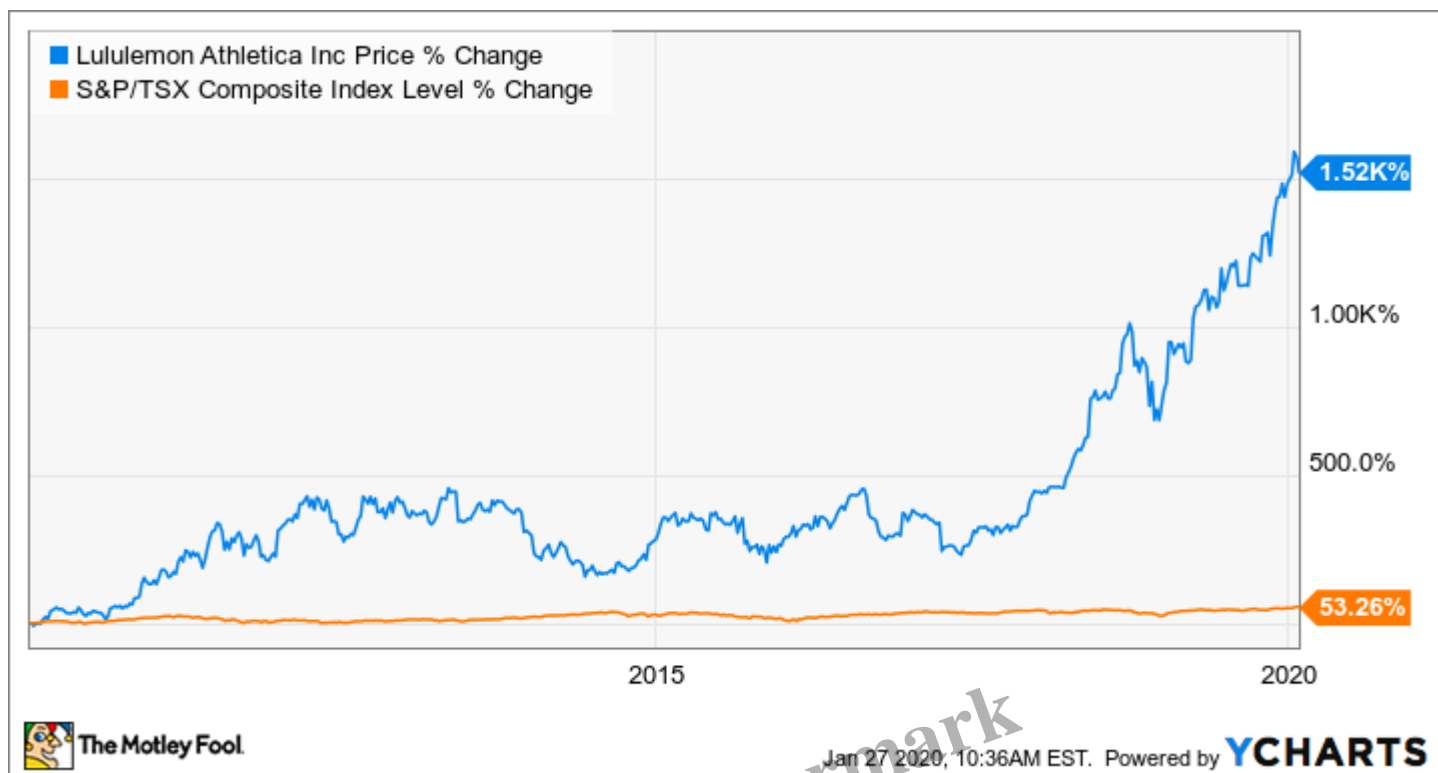


Shopify's revenue has soared from around \$200 million in 2015 to over \$1 billion in 2018 while earnings have only tanked. The company reported negative margins of almost 9%, and major peers such as **Wix** and **Godaddy** haven't performed much better.

Overall, I wouldn't recommend Shopify based on its business model or fundamentals. Sometimes, stocks surprise us by behaving in ways we wouldn't have thought for other reasons. That seems to be more of the case with Shopify stock.

Lululemon Athletica's gradual stock price rise lends more confidence

Over the long term, I'm more tempted to trust Lululemon Athletica to give aspiring Canadian retirees a chance at a comfortable retirement. The rise in its stock price has been more gradual over the last 12 months. Further, it has also led to the outstanding gains on the **Toronto Stock Exchange** over the past 10 years.



Lululemon is a more mature company than Shopify, meaning we possess a longer time frame of financial and stock market data from which to determine the intrinsic value and make predictions about future earnings. For this reason, Lululemon is the safer stock out of the two options.

Unlike Shopify, Lululemon reports a 15% profit margin and a 37% return on equity. Lululemon's diluted EPS is also a positive \$4.31 per share with trailing 12-month gross profits at \$1.82 billion. While Lululemon's market cap is only \$30.72 billion versus Shopify's \$69.11 billion, Lululemon boasts higher gross profit and revenue at \$3.75 billion.

Which is the better top stock to buy for TFSA investors in 2020?

Hands down, Lululemon is the better top stock to buy for TFSA investors in 2020. With Lululemon, Canadian investors can feel more confident that they are not investing in an overvalued stock. Stock market investing doesn't come with any guarantees. Thus, Shopify's \$595.46 stock price carries more risk than Lululemon's \$235.76 market valuation.

If you are interested in investing in some of last year's top TSX gainers, Lululemon will provide your TFSA and retirement accounts with greater security than Shopify's potentially unsustainable run in stock price.

CATEGORY

1. Investing
2. Stocks for Beginners
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TICKERS GLOBAL

1. NASDAQ:LULU (Lululemon Athletica Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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