



Buy Shopify (TSX:SHOP)? This Top Tech Stock Is Better

Description

The technology sector is rebounding in a big way. Up 24% year to date, it is one of the best-performing sectors on the TSX Index. Among individual TSX performers, you'll find a bevy of top [tech stocks](#), which include the likes of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)).

Since Shopify's initial public offering (IPO), there has been no better-performing tech stock. It is up by 3,060% since its IPO and recently became the most valuable stock on the TSX Index. Year to date, Shopify is up 92%, almost doubling in value.

It is arguably, the best tech stock on the TSX Index. The company, however, is now trading at record valuations. At 50 times sales and 27 times book value, Shopify has never been this expensive. With that in mind, investors may want to avoid the stock for now.

Although I am confident it will continue to march upwards, don't expect the company to continue posting triple-digit returns. If you are looking for outsized gains, then investors should look at **Real Matters** ([TSX:REAL](#)).

This overlooked tech stock is also on an impressive run, and unlike Shopify, it is decently priced.

A top tech stock

In 2019, Real Matters was the [top-performing stock](#) on the TSX Index with gains of 291%. The company is once again riding strong momentum and is up 70% thus far in 2020. It is quickly establishing itself as one of the top tech stocks to own.

Much like Shopify, Real's recent surge is leading to record valuations. This is where the similarities end. Real Matters is trading at only 7.1 times book value and 3.3 times sales. Likewise, since the company is growing at a healthy pace, it looks even more attractive when compared against future estimates.

Analysts are expecting the company to grow earnings and revenue by an average of 47% and 32%,

respectively, annually over the next couple of years. It is trading at only 30 times forward earnings, and sports a P/E-to-growth ratio of 0.30. This is a sign that the company's share price is not keeping up with expected growth rates.

Real Matters has one of the highest expected growth rates among all TSX-listed tech stocks. Despite the current run-up, it has the potential to outperform Shopify moving forward. It is also worth noting that Real Matters is consistently profitable, whereas Shopify has a spotty earnings history.

Strong quarterly results

Last week, Real Matters announced quarterly results that crushed expectations. It marks the sixth time in as many quarters in which the company has outperformed. In fact, earnings have topped estimates by an average of 500% over this period.

It is this type of performance that will lead to a continued and sustained uptrend. In the last quarter, the company achieved record results and growth outpaced the market. This means that the company is capturing market share, as evident by several new customer wins.

The future of this top tech stock also looks bright. In an environment of record-low interest rates, refinancing volumes are strong. They will remain so for at least the next few years. Management estimate that there are approximately 14.5 million mortgage holders who would benefit from refinancing.

The company's operations have proven to be resilient in the face of COVID-19 and is well positioned to reward investors. There appears to be no stopping Shopify, but current valuations have me looking elsewhere for growth. Real Matters fits the description as a high-growth stock trading at respectable valuations.

CATEGORY

1. Investing
2. Tech Stocks

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1. Editor's Choice

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2. TSX:REAL (Real Matters Inc.)
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Author

mlitalien

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