



Is Lightspeed POS (TSX:LSPD) the Next Shopify (TSX:SHOP)?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been the biggest TSX success story of the past decade. Going public for just \$18.5, it now trades for over \$1,300. To call this a phenomenal return would be an understatement. Shopify has performed better than **Amazon**, **Netflix**, and **Microsoft** in the same period — and these three stocks have been market beaters in their own right.

To put it simply, Shopify has had an [incredible rise](#). But now, with the stock trading at \$1,300, it's natural to wonder how much longer it can go on for. Shopify trades at a sky-high valuation, even for a popular tech stock, and the company's revenue growth isn't what it used to be. Faced with this, you might want to look for a younger company with similar prospects.

Lightspeed POS ([TSX:LSPD](#)) is sometimes floated as such a company. It's actually an older company than Shopify, but it's younger as a publicly listed stock. LSPD has a lot of similarities with Shopify that make it worthy of the comparison. Like Shopify, it's involved in payment processing and e-commerce. Also like Shopify, it boasts impressive revenue growth. But as you're about to see, the company is different from Shopify in major ways — and these differences are generally not positives for LSPD.

So, without further ado, let's look at whether Lightspeed could be the next Shopify.

Retail vs. e-commerce

The biggest difference between LSPD and SHOP is that the former is more focused on [brick-and-mortar retail](#), the latter on e-commerce. This is not a totally cut-and-dry difference. LSPD has "Lightspeed eCom," a platform for e-commerce businesses; and Shopify has a retail POS offering. But most of Lightspeed's business comes from retail stores, whereas most of Shopify's comes from e-commerce. This is a big difference, and it favours Shopify.

A more competitive market

Retail POS is an extremely competitive market. It has dozens of major players, all of which are

scrambling for a piece of the market. By contrast, e-commerce is defined by a smaller number of huge players, like **Amazon** and Shopify. Generally, POS software is fairly easy to develop from a technical perspective. For this reason, the POS industry sees a lot of new entrants every year. This contributes to the industry's competitive nature. Shopify, being in a less-crowded marketplace, is in a better position than Lightspeed, with a much lower ceiling.

Foolish takeaway

It's natural for investors to seek "the next big thing." Every big 10-bagger stock gets investors seeing dollar signs and wondering where the next one like it will come from. Shopify has had that effect on many investors. Itself having been compared to Amazon, the company now has investors searching for the next "it." Unfortunately, Lightspeed probably isn't the next Shopify. It may have upside, but it has a much lower ceiling than SHOP.

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Date

2025/09/16

Date Created

2020/07/11

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