



## Which Company Is the Better Buy for Your TFSA: Shopify or Lightspeed POS?

### Description

Choosing the best companies for your Tax-Free Savings Account (TFSA) is essential because you are only allowed to contribute a certain amount of funds each year. This means you must be very selective in deciding where to allocate that money. In this article, I will try to help contrast two of the [top growth stocks](#) listed on the TSX: **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed** ([TSX:LSPD](#)).

### Overview

In 2004, Tobi Lütke, Daniel Weinand, and Scott Lake founded Shopify in Ottawa, Ontario. It is an e-commerce company that provides a platform for online stores and retail point-of-sale systems. In June 2019, the company reported that it had more than 1,000,000 businesses from 100 countries using its platform. Some notable names that are listed as customers are: 2 Chainz, Gymshark, Hypnotik, **Lindt**, and Staples.

Lightspeed was founded in 2005 by Dax Dasilva. It is an e-commerce and point-of-sale software provider, based in Montreal, Quebec. The company's mission is to bring the Apple Store experience to retailers by optimizing and modernizing point-of-sale systems. Lightspeed aims to serve small- and medium-sized businesses. Currently, it lists over 23,000 businesses from 100 countries as customers.

Edge: Shopify has a much larger client base and its listed customers are much more well-known than that of Lightspeed. This advantage will give the company stability in its revenue.

### Recent financial performance

Although the two companies were founded around the same time, Shopify has been a publicly traded for much longer. Because of this, it is fairer to compare each company's performance over the past year rather than since IPO.

Although the company is not yet profitable, Shopify reported a 32% increase in revenue over the past twelve months. The company's net loss can be attributed to its goal of expanding and increasing

market share over the next few years. Therefore, the net loss is not alarming.

This increase in stock price has been reflected in Shopify's stock price. Over the past year, its stock has increased 179.85%. This outstanding growth culminated in the company becoming the [largest company in Canada](#), by market cap, in May.

Just like Shopify, Lightspeed is also not yet profitable. However, over the past twelve months, the company has only reported a 10% growth in its top line. This under-performance can be attributed to the COVID-19 pandemic which may have given a lot of its customers a hard time. Over the past year, Lightspeed stock has lost 0.61% of its value.

Edge: Shopify has shown better revenue growth and stock performance over the past twelve months.

## Other measures

Finally, one last metric that I look for in companies that I invest in is the amount of insider ownership associated with that company. This gives me an idea of how willing management is to be rewarded by the company's performance.

In the case of Shopify, individual insiders own 9.8% of the company. CEO Tobi Lütke currently holds a 6.44% ownership stake in the company. This falls just above my preferred cut-off of 5%. Meanwhile, Lightspeed insiders own 16.5% of the company. Dax Dasilva is by far the largest individual shareholder, claiming a 15.78% ownership stake.

Edge: Lightspeed's CEO has a much larger stake than the CEO of Shopify.

## Foolish takeaway

Although I really like both companies, it makes more sense to add Shopify to your portfolio at this point. Shopify has a more stable customer base and has shown much better performance in terms of revenue growth and stock appreciation.

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## TICKERS GLOBAL

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

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