



Forget Shopify (TSX:SHOP)! This Stock Could Double Your \$6,000 TFSA in 2 Years

Description

Shopify stock has limited upside potential

Shopify's stock price rose faster than its sales, which inflated its value. It is currently trading at 83 times its sales per share as investors have priced in the next 10 years of sales.

If you purchased Shopify stock for \$1,000 or below, hold it for the long term, as it will give you good returns. However, it is not a buy at its current price of over \$1,400 as it has limited upside from this point. Instead of blocking your money in a good stock that is overvalued, invest in a good growth stock that is adequately valued or undervalued.

One such share is **Lightspeed POS** ([TSX:LSPD](#)). The stock is not as expensive as Shopify but has delivered significant growth in the last 18 months.

Lightspeed can double your money

Lightspeed provides cloud-based point-of-sale (POS) solutions to retailers and restaurants. Apart from payments, it offers omnichannel solutions that integrate inventory, purchases, and marketing of various stores on a single platform. It enables merchants to manage multiple retail locations as well as their online store efficiently with the help of data analytics.

Similar to Shopify, Lightspeed earns revenue through subscription fees and

However, the COVID-19 pandemic significantly impacted Lightspeed as its solutions largely targeted brick and mortar stores. These stores were temporarily closed during the lockdown because of which Lightspeed saw a significant dip in transactions and subscriptions. However, e-commerce volumes surged 400% in April from February.

Lightspeed shifted its focus on e-commerce and introduced Shopify-like merchant solutions. It

introduced Lightspeed Capital to provide US\$50,000 in funding per retail location. It also introduced curbside pick-up, online booking management, order management, and contactless payments. Moreover, it allowed retailers to set up their e-commerce stores.

These new developments increased the

Investing in Lightspeed through TFSA

When investing in high-growth stocks like Shopify or Lightspeed, it is advised to do so through Tax-Free Savings Account (TFSA). The government created this account in 2009 to allow you to withdraw your investment income without adding it to your taxable income. However, there is a maximum limit on the annual contribution, which is carried forward next year if unused. This year's annual limit is \$6,000, and a consolidated contribution limit is \$69,500.

If you had invested \$6,000 in Lightspeed near its March bottom, you would now have \$21,750 in your TFSA. That said, it's nearly impossible to time the market. A more realistic number would be a \$5,000 investment in Lightspeed IPO. Your money would have grown to \$11,500 in 18 months.

Lightspeed stock is currently trading at 20.5 times its sales per share, which is adequate for a stock growing its revenue at an annual rate of 50%. Even Shopify was trading at 20-25 times its sales per share before the pandemic.

Lightspeed stock will grow alongside its revenue. If it maintains its revenue growth rate at 50%, the stock and the revenue could double in two years. Your \$6,000 TFSA contribution can become \$12,000 by 2022.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

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

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Author

pujatayal

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