



Better Buy: Lightspeed POS or Dye & Durham?

Description

Growth stocks can be very exciting to track and invest in. In fact, most of my portfolio is allocated towards these kinds of companies. However, it could be difficult to determine which companies you should invest in. One big reason for this is the fact that growth companies tend to be newer and much younger than mature companies. This can result in very little financial and historical information for investors to draw conclusions from.

In this article, I aim to help paint a clearer picture on two of the hottest growth stocks on the TSX.

What do these two companies do?

Both companies provide cloud-based services, a hot buzzword in today's investment market.

Lightspeed ([TSX:LSPD](#)) provides e-commerce enabling software to small- and medium-sized businesses across many industries. Its customers are mainly composed of restaurants, retailers, and golf course operators. Lightspeed's services include point-of-sale, delivery, and loyalty management.

Dye & Durham ([TSX:DND](#)) [provides a platform](#) which helps organizations automate the processes of due diligence searching, document creation, and electronic records filing. Its customers are mainly composed of law firms, governmental agencies, and financial service providers in Canada and the United Kingdom.

Evaluating the two companies

When assessing whether I should invest in a company, I follow a very strict [checklist](#). The first requirement is that the company is founder-led. The reason for this requirement is because founder-led companies have been shown to outperform the broader market than companies that are not founder-led.

To further support this point, Motley Fool U.S. analysts stated that even within their recommendations, founder-led companies outperformed the other companies recommended in their services. Lightspeed,

being a younger company, is led by its founder-CEO Dax Dasilva. However, Dye & Durham was founded in 1874. This makes it impossible for the company's founder to remain at the helm now.

The next requirement that I look at is whether the company has a high amount of insider ownership. This indicates to shareholders that the goals set in place by the company's management are aligned with theirs.

With Lightspeed, we can see an insider ownership of 16.5%. Dax Dasilva is the largest individual shareholder, with a 15.75% ownership stake in the company. On the other hand, individual insiders own 15.70% of Dye & Durham. However, its CEO, Matthew Proud, is not among one of the company's largest shareholders.

Although I have a much longer list of requirements, the final one I will cover in this article is continuing revenue growth. From fiscal years 2019 and 2020, Lightspeed reported an outstanding 55.7% revenue growth. This can be compared to Dye & Durham's revenue growth of 34.7% between 2018 and 2019 (its last two complete years of revenue).

Foolish takeaway

As we can see, Lightspeed is intriguing because it is founder-led. In addition, Lightspeed is owned proportionally more by its CEO and individual insiders own more of the company than at Dye & Durham. Finally, Lightspeed's total revenue growth rate is faster than Dye & Durham's. For these reasons, I would suggest that Lightspeed is the better buy at this time.

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1. Investing
2. Tech Stocks

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TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)
2. TSX:LSPD (Lightspeed Commerce)

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Date

2025/09/28

Date Created

2020/09/08

Author

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