



## Shopify (TSX:SHOP) vs. Lightspeed (TSX:LSPD): Which Tech Giant Is Better?

### Description

E-commerce is booming. The industry was growing at an incredible pace anyway, but its pace has been expedited during the pandemic. Retail businesses tried to build their e-commerce fronts during the pandemic in order to stay operational, and e-commerce platforms saw their popularity rising.

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has always been the most popular e-commerce stock, and its fame is well justified.

Despite being one of the most overvalued stocks on the **TSX**, Shopify keeps on growing. Whenever people think that it's finally reached a breaking point, the stock shoots up again. Right now, the tech giant is precariously expensive, and you might be wondering whether to bag this overvalued stock or look into another e-commerce option: **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)).

### The smaller e-commerce giant

The year-to-date price return of Lightspeed is 111%. So if someone had bought the company when 2020 started, oblivious of the impending market crash when the stock fell over 73%, they would have doubled their money by now. But if you had bought the company when it hit rock bottom in March, you'd have grown your capital by 534% by now.

This kind of growth in this small period is quite unprecedented. It's more than double how much Shopify grew from its lowest valuation from March. But that amazing recovery isn't the only reason to consider Lightspeed over Shopify. Despite this ridiculous growth bout that's still continuing, the stock hasn't grown nearly as expensive as Shopify. The balance sheet of the company is rock solid, and it's growing its revenue at an incredible pace.

The company has customers in over one hundred countries. While the country-wise penetration might vary quite a bit, a geographically diverse clientele can be a powerful element in the company's future growth.

## The growth monster

Shopify is a fundamentally sound company. Shopify's platform has the third-largest market share in the e-commerce industry, which is still expanding and will likely reach a saturation point in a few years. That still doesn't justify the overvaluation level that Shopify has achieved. It's trading at a price-to-sales ratio of 68.8 times, price-to-book of 27.37 times, and the price-to-earnings is at 856.

That's ridiculously expensive, but as Shopify has been growing consistently despite being overvalued most of the time, let's assume that it's not going to normalize anytime soon. But the question remains as to how high it would go. Even if the stock grows to about \$2,000 a share, it would only be about 44.5% growth from its current share price. [The overvaluation](#) and an expensive price tag are both major problems.

If someone with a \$100,000 yearly income wants to maximize their yearly RRSP contributions and their TFSA contributions, they would have a sum of about \$24,000 in total — enough to buy just 17 Shopify stocks with some change left.

## Foolish takeaway

Right now, both Shopify and Lightspeed are [too expensive](#) to buy, but if I were to choose one, I would go with Lightspeed. Unlike Shopify, Lightspeed's sales and revenues have a chance to catch up to the stock price in the near future.

Also, in the wake of the pandemic, many small retailers might seek an e-commerce platform. Since it's the clientele that Lightspeed specifically caters to, the company might see continuous growth for a while yet.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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

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**Date**

2025/09/13

**Date Created**

2020/12/11

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