



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

Description

Shopify Inc. ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the [top-performing Canadian stocks](#) over the past five years. The tech giant has grown more than 4,000% since the beginning of 2016.

Today, Shopify is nearing a market cap of \$200 billion, easily making it Canada's largest company.

Valued at a market cap of just \$10 billion, **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) pales in comparison to the size of Shopify.

The two tech companies may differ in size, but it is not difficult to draw parallels between the two [growth stories](#). Lightspeed is already well on its way to leading a similar growth trajectory to that of Shopify.

Shopify's revenue growth

Shopify has understandably seen a decline in its revenue growth in recent years. The company couldn't have been expected to continue to double its revenue on a quarterly basis forever.

Through 2016, Shopify's quarterly revenue growth hovered between 90 – 100%. In 2017, revenue remained relatively stable throughout the year at around 70% growth in each quarter. Growth began dropping closer to 60% in 2018 and then below 50% in 2019.

The COVID-19 pandemic had a major impact on Shopify's revenue growth in 2020. In Shopify's two most recent quarters, it put up revenue growth of 97% and 96%, respectively. That likely won't stick, as the pandemic was a major reason in driving that up, but investors can take that as a good sign as the pandemic only accelerated the rise of e-commerce.

It's also worth noting Shopify's incredible performance during the most recent Black Friday/Cyber Monday weekend. Sales were up 76% from \$2.9 billion in 2019 to \$5.1 billion in 2020. Close to 45 million shoppers purchased items from over one million merchants during the weekend. Shopify management also commented that those one million merchants are now spread across 175 countries.

Lightspeed's revenue growth

Lightspeed became a public company trading on the **TSX** in March of 2019.

After going public, the tech company posted an increase in quarterly revenue growth over the next four quarters. It topped out at 70% in the company's fiscal Q4 of 2020, which ended March 31, 2020.

In the next quarter, which was Lightspeed's first full quarter of dealing with the COVID-19 pandemic, the company saw its first year of revenue deceleration in over a year.

Many of Lightspeed's customers are small- to medium-sized brick-and-mortar retailers. As a result, revenue growth dropped from 70% to 50%, largely due to the pandemic. The company did manage to rebound very well in the most recent quarter, posting revenue growth of 62%.

In terms of sheer volume size, Lightspeed still has a ways to go to catch up to Shopify. That being said, prior to the pandemic, Shopify had shown a clear deceleration in revenue growth for the most part of the past five years. Lightspeed, on the other hand, looks as if it has no plans of slowing down any time soon.

Don't forget the valuation

Buying shares of a company with revenue growth like Shopify or Lightspeed does not come cheap. The two stocks are trading today at very high valuations, which means investors are banking on the incredible growth to continue.

Both companies are trading at a price-to-sales ratio above 50 today. That makes them two of the most expensive stocks on the **TSX** today.

Does that mean investors should wait until they are less expensive to buy? Absolutely not. You'll likely be waiting for years before either of these tech companies are considered cheap.

Shopify has been a notoriously expensive stock for years. If you'd stopped yourself from picking up Shopify shares five years ago because it was too expensive, you'd be kicking yourself today.

While the valuation alone isn't enough of a reason to not own either company, it's something to definitely be wary of.

Foolish bottom line

Shopify and Lightspeed might not be direct competitors, but there are definitely parallels between the two company's growth stories.

Do yourself a favour and add both of these growth stocks to your portfolio today, even if they're ridiculously expensive.

Valuations are high, so you may want to limit the percentage that either Lightspeed or Shopify make up in your portfolio.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. growth
2. growth stocks
3. lightspeed
4. Lightspeed POS
5. lightspeed stock
6. LSPD
7. SHOP
8. shop stock
9. Shopify
10. Shopify Stock
11. tech stocks
12. technology
13. technology stocks

default watermark

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. growth
2. growth stocks
3. lightspeed
4. Lightspeed POS
5. lightspeed stock
6. LSPD
7. SHOP
8. shop stock
9. Shopify
10. Shopify Stock
11. tech stocks
12. technology
13. technology stocks

Date

2025/08/25

Date Created

2021/01/05

Author

ndobroruka

default watermark

default watermark