



Hotter Than Shopify: I'd Prefer These 2 Canadian Tech Stocks for 2021

Description

Just when you thought **Shopify** ([TSX:SHOP](#))([NYSE:SHO](#)) stock was about to slow down, it was dealt with the most profound [tailwinds](#) in its history. As one of the beneficiaries of the COVID-19 pandemic, Shopify built upon its win streak, blowing out the expectations of many, as Shopify stock continued to defy the laws of gravity.

While I suspect Shopify will continue to be a [strong performer](#) over the long haul, I can't say I'm a fan of the valuation to be had here. I think it's tough to find enough reasons to justify paying up year's worth of growth upfront.

Shopify and Canadian tech stocks have been white hot in 2020

Shopify stock has enjoyed an unprecedented magnitude of multiple expansion in 2020. Today, SHOP shares trade at just shy of 60 times sales (that's sales, not earnings), making it one of the most expensive Canadian tech stocks you'll ever come across. While I wouldn't bet against Shopify, I think it'd be wise for investors to consider at least playing with the house's money while they're still ahead.

There are other up-and-coming TSX stocks that are cheaper than Shopify, potentially with more room to run in the post-pandemic environment. Consider **Docebo** ([TSX:DCBO](#)) and **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), two white-hot Canadian tech stocks that I think could outperform Shopify in 2021.

Docebo

Docebo is a magnificent way to play the continued digital transformation of work. Few folks have heard about the e-learning software developer in 2019. When the pandemic struck, which likely caused firms to bring forward their remote working capabilities by years, Docebo started to make a name for itself. I've been pounding the table on shares of Docebo all year, and if you'd bought on my advice, you're probably pleased with your results thus far.

DCBO stock surged up to 650% from its March lows before pulling back modestly (around 15%) to where it sits today at \$70 and change. While the easiest gains have already been made, I think DCBO shares could continue to outdo Shopify in the new year, as I think it's likelier that consumers will curb their appetite for online shopping than it is for workforces to pullback on their remote-working technology spend.

Like Shopify, Docebo trades at a nosebleed-level valuation at just north of 32 times sales. If Shopify can command 60 times, I think Docebo could also do the same, as it continues winning new clients through and after this pandemic.

Lightspeed POS

Lightspeed POS is a rare breed, indeed. The stock lost over 70% of its value during the coronavirus crash — a time I recommended investors to back up the truck before posting a full recovery and then some in just a matter of months.

I then recommended buying the name on a breakout, which led to another doubling the share price. Today, LSPD shares are up nearly 600% from their March lows, and they may not be done yet, as the commerce-enabling firm does its part to help ailing restaurant operators and smaller retailers to manage through this crisis.

Like Shopify, I think Lightspeed's new clients will remain clients for life after playing a major role in the survival of many of its vulnerable customers. That opens the door to upselling opportunities that could very well justify the premium 57 times sales multiple.

Should Canadian tech investors buy either over Shopify?

Personally, the valuations on DCBO and LSPD stock are too rich for my liking. If you consider yourself a fearless, young investor, I'd get a bit of skin in the game today but wouldn't encourage buying into a full position at once, as each name could feel the full force of the next market correction.

If you're like me and aren't keen on the valuations, there's no shame in nibbling as you look to add over time on pullbacks.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. NYSE:LSPD (Lightspeed Commerce)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:DCBO (Docebo Inc.)
5. TSX:LSPD (Lightspeed Commerce)
6. TSX:SHOP (Shopify Inc.)

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