



## Facedrive (TSX:FD) vs. Lightspeed (TSX:LSPD): Which Is the Better Growth Stock?

### Description

The past year has given rise to many incredible growth stories in the tech sector. Between **Tesla**, **Palantir**, and **Square**, we've seen plenty of companies double investors' money in mere months. Two of the past year's noteworthy "multi-bagger" stocks are Canadian: **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Facedrive** (TSXV:FD).

Both of these stocks have doubled in price several times over. Facedrive, in particular, has risen more than 1,000% since its recent IPO. These certainly both look like market-beating plays. But past results don't indicate future performance, and when you buy stocks like these, you take on enormous risk. In this article, I will explore both of these stocks, comparing them side by side to help you make an informed investing decision.

### The case for Facedrive

The main thing Facedrive has going for it compared to Lightspeed is superior growth and a higher ceiling.

On the date of its interim financial report from July 2020, FD had [\\$387,000 in revenue](#). That was up from \$36,000 a year prior — a more than 1,000% growth rate! Yet, the figure was still relatively small, providing plenty of room for future gains. A more recent November report showed \$748,000 in total revenue for the year-to-date period, which was double that in the prior year. This is pretty impressive growth. The company did not turn profits on all that revenue. In fact, as of the July report, it had a \$1.5 million loss — that's a net margin of nearly -400%! Still, the growth rate itself is impressive, and the company is small enough to keep it up for a considerable time into the future.

### The case for Lightspeed POS

The case of Lightspeed POS over Facedrive is that it is a more established company with a more tangible presence in the market.

Facedrive is a very niche “eco-friendly” [ride-sharing company](#) that only operates in select Canadian cities. Its current service is very, very young, and there’s no proof that it can go mass market. Lightspeed, however, is a very established POS company. It serves customers in 100 countries, powering \$26 billion in transactions per year. Its customers rely on it for key POS and online store infrastructure, making it difficult for them to switch from Lightspeed to a competitor. That’s a massive advantage that Facedrive doesn’t have. Yet with all its extra maturity, Lightspeed is no slouch on growth. In its most recent quarter, it did \$58 million in sales — up 79% from the same quarter a year before. Its net loss (\$42 million) was also smaller than Facedrive’s as a percentage of revenue.

## Foolish takeaway

Between Facedrive and Lightspeed, it seems clear which is a more sensible investment: Lightspeed.

Facedrive does have phenomenal growth, but it also has phenomenal losses, and its value proposition isn’t clear. Also, a 1,000% year-over-year growth rate isn’t that amazing when you start from just \$36,000 and get millions in funding in the interim period. Lightspeed’s growth has technically been slower but also sounder. So, it’s much more of a sure bet.

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2. TSX:LSPD (Lightspeed Commerce)
3. TSXV:STER (Facedrive Inc.)

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andrewbutton

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