



## Forget Coinbase (COIN): This Canadian Bitcoin Stock Is Better

### Description

Cryptocurrency exchange **Coinbase Global** ([NASDAQ:COIN](#)) completed its hotly anticipated direct listing last week. The company's valuation has surged over the past year alongside the growing enthusiasm for Bitcoin and the cryptocurrency space. However, I believe the stock is overvalued and the company is vulnerable to disruption.

Canadian investors have much better alternatives in this space. Here's an overview of why Coinbase isn't your best choice for exposure to Bitcoin.

### Bitcoin exchange

Coinbase is an exchange and wallet service for the crypto industry. Essentially, it allows individuals to buy, sell, and hold their cryptocurrency on its platform. It also has a premium service that allows institutional investors to do the same.

As one of the first and most popular cryptocurrency exchanges in North America, Coinbase acts as the gateway to this nascent sector. However, Coinbase's margins and revenues are likely to attract other competitors. Meanwhile, Coinbase's fees are already much higher than global competitors.

Also, the company's business is under siege from decentralized exchanges. Platforms like Uniswap allow people to buy and trade cryptocurrency peer to peer without the need of a middle man. As the market matures, more investors could seek out this lower-cost decentralized alternative.

### Canadian Bitcoin stock

Instead of betting on the exchange, I believe it's better to bet on the payment processor. **Banxa Holdings** ([TSXV:BNXA](#)) is a great example. The company's platform allows users to convert their fiat currencies (Canadian dollars, U.S. dollars, etc.) into crypto (Bitcoin, Ether, etc.).

It doesn't charge the users for this service. Instead it gets paid by the cryptocurrency companies and exchanges that need to offer this conversion to their customers. Banxa's clients include Binance, OKex, Trezor, Abra, ShapeShift and several others. These [enterprise customers pay Banxa](#) a recurring

annual fee to integrate the service.

Banxa already accepts credit/debit card payments, Interac e-Transfers in Canada and **Apple Pay** among several others. This business model of converting fiat to crypto is much more robust, in my view.

It's also an undervalued business. While Coinbase is worth \$80 billion, Banxa's market capitalization is \$228 million. It's a much smaller company with a much larger runway for growth.

## Bottom line

The Coinbase listing and the rising value of Bitcoin has turned everyone's attention to the crypto sector. It seems buying and selling digital assets is finally going mainstream. Gatekeepers like Coinbase benefit from this shift, of course. Coinbase is the largest exchange in North America and acts as the first point of exposure to crypto for millions of new users.

However, the business model isn't sustainable over the long term. The exchange may have to reduce fees and directly competes with decentralized peer-to-peer alternatives. Instead, I believe a Canada-listed payment processor is a better bet. Banxa Holdings works with crypto enterprises to help them accept payments. Its market value is a fraction of Coinbase, which means it's a bargain for growth-seeking investors.

Watch this space as the industry matures.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:COIN (Coinbase Global)
2. TSXV:BNXA (Banxa Holdings Inc.)

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vraisinghani

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