



Which Stock to Buy: Shopify (TSX:SHOP) or Lightspeed POS (TSX:LSPD)?

Description

Have you been making a lot of online purchases these days? The primary hand behind these online purchases is the companies that provide the software and hardware to help digitize business. They do everything from setting up an online website to providing other services such as payments, marketing, shipping, customer engagement tools, and much more. **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) are riding the e-commerce wave.

The question is, which among the two will fetch you better returns?

Shopify's e-commerce growth

The pandemic has catapulted the adoption of e-commerce. Retailers that were reluctant to e-commerce were forced to start selling online to stay afloat. Shopify was one of the biggest beneficiaries of this wave, thanks to its diverse revenue sources. It earns revenue from subscriptions and processing fees for merchant solutions like Shopify Shipping and Shopify Capital.

The pandemic increased its U.S. e-commerce market share to 8.6% in the first quarter of 2021 from 5.9% in the first quarter of 2020, standing second to **Amazon**. Shopify's 2020 revenue growth rate surged to 85% in 2020 from 47% in 2019. But its growth may normalize in 2021 as the economy opens up and some of the online shopping traffic moves back to offline mode.

Shopify's predominant market in North America, but it plans to move to new markets and gain global share. To materialize its plans, it is offering [Shopify Fulfillment Network](#) that stores, packs, and ships orders on behalf of merchants. It is also developing an all-in-one mobile shopping assistant named SHOP. It is expanding the reach of its platform through partnerships with **Facebook** Shops, **Walmart** Marketplace, Tiktok, Instagram and others.

With all the required services under one roof, Shopify is a go-to platform for merchants. I believe its revenues will continue to soar as it adds more products and services to its bouquet.

Lightspeed's omnichannel growth

Valued at a market cap of just \$9.3 billion, Lightspeed POS pales in comparison to the \$169 billion market cap of Shopify. Also, Shopify's 2020 annual revenue of \$2.9 billion is mammoth compared with the \$175 million revenue of Lightspeed.

Lightspeed isn't profitable yet. But its small size and lack of profits should not intimidate investors. The company is in its early growth stages. Huge investment in business development weighs down on its bottom line.

Lightspeed primarily caters to the restaurant and retail industry, which still operates in the brick and mortar format. COVID-19 has accelerated the online shift for these industries. Lightspeed's niche in this area will bring strong growth in the years ahead. It is looking for speedier growth via acquisitions. Its recent acquisitions of Vend, ShopKeep, and Upserve have doubled its global customer locations.

The growing number of customers is driving Lightspeed's Gross Total Value (GTV). Its future success depends on its ability to grow its customer base, add more solutions, cross-sell and more acquisitions.

Should you buy Shopify or Lightspeed POS?

The question is which stock to buy. When it comes to buying a stock, you pay a price, and that is where valuation comes in.

Shopify stock trades at a lofty valuation of 49 times its sales per share, but it deserves the premium given its 80% revenue growth rate. The stock is down 29% from its 52-week high. Lightspeed is also 31% off its 52-week high and is trading at 53 times its sales per share at writing.

Both the stocks are worth buying the dip. However, to me, Lightspeed looks more [promising](#) given its visible growth trajectory. The company will benefit from the reopening of brick and mortar stores and restaurants. As for Shopify, its large size will slow its growth rate.

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

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