



Can Lightspeed Compete With Shopify? Let's Take a Look

Description

Investors interested in Canadian tech stocks are likely already aware of both **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Indeed, these stocks have provided some rather [incredible growth](#) in recent years.

However, comparing the two is an interesting exercise. Both companies have valuations that are extremely high but are also growing rapidly. These stocks are among the top growth picks for many long-term investors right now. Accordingly, one might be inclined to say that you can't lose with either stock over the long term.

However, the fact that Lightspeed has recently made a move into the e-commerce space is intriguing. The idea of these two players competing is an interesting one. Let's dive into what's going on to warrant this comparison.

Lightspeed acquiring its way toward e-commerce

As many investors are already aware, Lightspeed's business model is based on acquiring its market share. The company's recent acquisition spree has been focused on the point of sale (POS) market. However, a couple of recent acquisitions have paved the way for Lightspeed to grow its footprint in the e-commerce space in a big way.

These two acquisitions carried a combined value of US\$925 million. Indeed, that's a pretty penny for this company with a US\$10 billion market cap. However, it's become clear why Lightspeed has decided to pay up for these deals right now.

The company announced it is acquiring Exwid and NuORDER, two companies operating in the e-commerce space. These companies have different business models, but essentially provide Lightspeed with the ability to build out its e-commerce footprint to compete against Shopify. Indeed, Ecwid has been touted as one of Shopify's main competitors in its core e-commerce market.

Ecwid currently has around 130,000 registered customers, while NuORDER's platform (mainly a retailer-wholesaler platform) carries more than 3,000 popular brands. Combined, Lightspeed is hoping to create some synergies and put together an attractive solution for its customer base. Indeed, leveraging the scale these acquisitions could provide may prove a daunting, yet highly profitable, task, at least over the long term.

Investors in Lightspeed are essentially buying into the company's strategic growth-by-acquisition playbook. Thus far, the company's hit it out of the park with its strategic moves. Whether this can continue from here remains a question of execution.

Bottom line

With the pandemic, e-commerce picked up like never before. People have become used to buying things online, some in leisure, others in compulsion. Lightspeed's moves to catapult itself into this high-growth market are notable.

However, the return on investment on this deal has yet to be proven. And Lightspeed paid a high premium for these deals. Investors in Lightspeed are making a long-term bet on the growth these deals provide. And right now, that growth is very attractive.

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