



Better Buy: Lightspeed (TSX:LSPD) or Shopify (TSX:SHOP)?

Description

According to a 2019 study by Industry Canada, the failure rate of startups is high. Also, statistics from Innovation, Science & Economic Development Canada statistics show that 96% of businesses exit the marketplace after one full year of operations.

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) doesn't belong to the busts list, although it started as a snowboarding online shop in 2014. Even the founders didn't expect a tool to become a [successful platform](#) then grow to an ecosystem. The transformation was a sight to behold as Shopify is now the largest publicly traded company in Canada.

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is another success story. The vision of its founder, Dax Dasilva, was clear from the start: make a positive global change. The Canadian software provider's Initial Public Offering (IPO) in 2019 was a resounding success, raising \$179 million.

In 2021, investors have two great investment choices in Canada's [technology sector](#). Shopify and Lightspeed POS are both phenomenal success stories. However, it's a toss-up between an e-commerce platform and a seamless payment solution company. Let's use the most recent quarterly filing results as the reckoning point.

Merchant-first business model

Shopify never lost momentum heading into 2021 because of strong digital commerce tailwinds. Its CFO, Amy Shapero, said the platform's range of capabilities continues to attract merchants. She adds, "We are focused on building a commerce operating system that will help shape the future of retail."

The merchant-first business model allows the \$226.31 billion company to capture massive growth opportunities in the digital commerce space. In Q1 2021 (quarter ended March 31, 2021), more merchants and entrepreneurs worldwide joined the platform.

As a result, Shopify's total revenue, merchant solutions revenue, and subscription solutions revenue grew by 110%, 137%, and 71% versus Q1 2020. Also, the monthly recurring revenue of \$89.9 million

at the quarter's end was \$55.4 million more from a year ago.

Management anticipates consumer spending to rotate back to offline retail and services once the vaccination success rate climbs this year. As of July 16, 2021, Shopify trades at \$1,819.63 per share (+26.06%). However, market analysts' 12-month average target is lower at \$1,613.95.

Inching closer to profitability

Lightspeed's fantastic IPO placed the company on the map. While this tech stock is up only 10.07% year-to-date, market analysts forecast a potential upside of between 14.55% and 56.46% in the next 12 months. At the current share price of \$98.89, the trailing one-year price return is 187.22%.

The \$13.22 billion Software as a Service (SaaS) platform for small and midsize businesses also reported glowing figures in Q4 fiscal 2021 (quarter ended March 31, 2021). Lightspeed's total revenue and recurring subscription & transaction-based revenue increase by 127% and 137% versus Q4 fiscal 2020.

However, net loss expanded by 125.81% due to adjustments in certain non-cash and non-recurring items. For the full fiscal year 2021, Adjusted EBITDA loss improved to 9.6% of revenue from 18.0%. Still, management describes the year as one of Lightspeed's most transformative years yet.

After **New York Stock Exchange**, Lightspeed made three landmark deals and launched new offerings during the quarter. For fiscal 2022, management forecast revenues to range between \$430 and \$450 million. Also, Adjusted EBITDA loss should improve to approximately 7% of revenue.

Tech sector's best

TSX's [tech sector](#) isn't the market leader thus far in 2021. Nonetheless, Shopify and Lightspeed are the sector's best and ideal long-term investments.

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