



Forget Square (NYSE:SQ): This Canadian Payments Company Is a STEAL!

Description

You'd have to be living under a rock to not have heard about **Square** (NYSE:SQ) recently. Following its Q2 earnings beat and planned \$30 billion acquisition of **Afterpay**, the stock has been blowing up in the media and in the markets. SQ stock rose 10% in a single trading day on Monday, and many think it has room to rise from here.

That may be the case. Square certainly surprised everyone with its Q2 earnings; if it puts out more results like those, it will continue to rise. But there is one Canadian payments company that may be even better. Arguably growing revenue faster than Square, it may have further to go from here. In this article, I will explore that stock in detail.

Lightspeed POS

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is a Canadian retail POS company that offers tablet-based point of sale (POS) services for businesses. It went public in 2019 and has risen 465% in the market since then. The COVID-19 pandemic was a huge boon to LSPD. The stock dropped initially in March 2020 because investors thought that the lockdowns would kill its retail POS services.

But in fact, the lockdowns only led to a surge in signups for the company's online payments services. Every single quarter in 2020 saw revenue acceleration over the comparable 2019 quarter. The most recent quarter saw stunning 127% revenue growth.

Lightspeed vs. Square

Square is obviously a fast-growing company with a bright future ahead of it. But Lightspeed is actually better than Square in some ways.

One area where Lightspeed arguably beats Square is valuation. According to Morningstar, LSPD trades at 5.9 times book value. The comparable multiple for Square is 26. So LSPD is cheaper relative to the net value of its assets than Square. On the other hand, Square has a lower price/sales ratio and

has a non-negative (though high) P/E ratio, so the comparison isn't so cut and dry.

Another area where Lightspeed is arguably beating Square is that of revenue growth. Square's most recent 143% revenue growth technically beats LSPD's 127%, but that includes Bitcoin revenue, which is very volatile. If we're talking just cash revenue, then LSPD's 127% revenue growth rate beats SQ's 86%.

As for whether the Bitcoin revenue should be taken as a positive, that's debatable. BTC has mostly been trending down in the second half of 2020 but is up over the last two weeks. SQ revealed that it took a [\\$20 million impairment charge](#) on its Bitcoin holdings in Q2.

This suggests that the company is banking its Bitcoin and is therefore vulnerable to market swings. So if Bitcoin starts sliding again then SQ's huge Bitcoin revenue haul will prove to have been a negative compared to cash.

Foolish takeaway

2021 has been a banner year for Square. Fresh off a huge earnings beat, its stock is rapidly rising in the markets. It's natural to want to invest in such a success story. But there are other payment stocks out there worth looking at.

If you're interested in a Canadian stock that's like Square, you might want to consider Lightspeed POS. It's a [solid growth stock](#) that could continue to reward investors going forward.

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