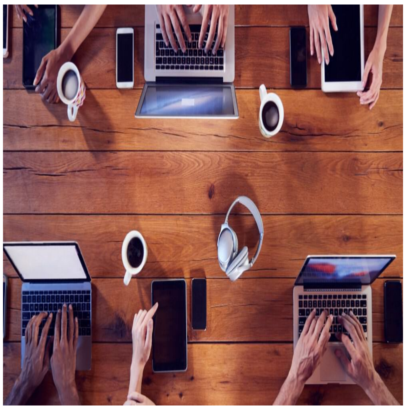

Forget Shopify and Invest in This Tech Stock Instead!

Description

Canadian e-commerce giant **Shopify** (TSX:SHOP)(NYSE:SHOP) has been a massive wealth creator for long-term investors. The company went public back in 2015 and has since returned 6,660% in cumulative gains, easily crushing the broader markets. Shopify's market-thumping returns have meant the company is now Canada's largest publicly traded entity valued at a market cap of $260 billion.

In the third quarter of 2021, Shopify sales soared by 46% year over year to US$1.1 billion. The Shopify platform has onboarded close to two million merchants to date, allowing the company to end Q3 with US$41.8 billion worth of retail sales, an increase of 35% compared to the year-ago period.

Shopify's CFO Amy Shapero explained, "Our results show that Shopify is executing well, giving our merchants the tools they need to compete in differentiated ways in a growing number of markets."

Shopify stock is overvalued

The e-commerce giant continues to expand its portfolio of products and services, enabling Shopify to diversify its revenue base. For example, Shopify Capital grew by 56% in Q3 to almost US$400 million, showcasing the company's ability to enter new business verticals.

While Shopify remains a top bet for growth investors, it is currently significantly overvalued. Shopify is forecast to increase sales by 56.2% year over year to US$4.6 billion in 2021 and by 33.8% to US$6.12 billion in 2022. Comparatively, Wall Street expects it to increase adjusted earnings per share from US$3.98 in 2020 to US$6.67 in 2022. We can see that the stock is trading at a forward price to 2022 sales multiple of 33.8 and a price to earnings multiple of almost 250 which is sky-high.

There is a good chance that Shopify may continue to outpace the broader indexes. But its steep valuation also carries certain risks especially if markets turn bearish.

Upstart provides investors with significant upside potential

A company valued at a market cap of $19 billion, **Upstart** (NASDAQ:UPST) is a quality growth stock that should be on your buying radar right now. Upstart provides a cloud-based artificial intelligence (AI) lending platform that aggregates demands for loans. Essentially, it connects consumers, financial institutions, and investors via a shared AI lending platform.

Upstart went public in late 2020 and has returned close to 800% to shareholders. However, it’s also down 32% from all-time highs allowing you to buy the dip.

In Q3 of 2021, Upstart revenue rose by 250% year over year to US$228 million while fee revenue was up 235% at US$210 million, allowing the company to report adjusted earnings per share of US$0.60. Comparatively, analysts expected Upstart to report revenue of US$215 million and adjusted EPS of US$0.33 in Q3.

In Q3, Upstart’s banking partners originated loans worth US$3.13 billion, 244% higher than the year-ago period. The company’s conversion rates also soared to 23%, up from 15% in the same period in 2020.

The fintech company is firing on all cylinders and is forecast to increase sales by 236.4% to US$785 million in 2021 and by 43.7% to US$1.13 billion in 2022. Comparatively, its adjusted earnings are estimated to increase from US$0.23 per share in 2020 to US$2.19 per share in 2022.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:UPST (Upstart Holdings Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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