



Top Canadian Fintech Stocks of 2023

Description

Technology is one of Canada's biggest and most innovative market sectors. Generating \$96 billion in economic value every year¹, it represents 5.1% of the overall economy.

There are many different sub-sectors within the technology sector. The marriage of technology and financial services has created one of the most important ones. In Canada, fintech is one of the fastest-growing markets

In fact, many Canadian investors have exposure to fintech whether they know it or not, through index ETFs that hold shares of tech companies which are delving into the fintech industry, like Shopify Inc.

So, what is fintech, and why is it such a big part of Canada's tech scene? Let's break it down.

What are fintech stocks?

Fintech is short for 'financial technology', and it can refer to any technology that facilitates delivering financial services, like big bank apps, but it usually refers to smaller "disruptive" players in finance. Fintech stocks are the shares of these companies.

Types of fintech companies

There are many kinds of fintech companies that you can invest in. Some of the best-known include:

- **Payment companies** – These companies help people send, receive, and spend money.
- **Crowdfunding companies** – Crowdfunding companies help people raise money for personal projects or worthy causes.
- **Peer-to-peer lending** – These companies allow people to lend money to one another, so they can avoid having to go through a bank.
- **Crypto** – Companies that allow people to invest in, send, and receive cryptocurrency.

As you can see, fintech covers a broad spectrum of different products and services. There are countless companies around the world that could be described as fintech, and the number grows every day. Your robo-advisor or PayPal account are other examples of fintech services. Even if you've never heard the term "fintech" until today, there's a good chance you're using at least one or two fintech services.

Top Canadian fintech stocks

Canada is also well known for its internationally respected [banking sector](#), so it should come as no surprise that the country's tech sector has quite a few fintech companies.

The following are the top five (by market value) that you can buy on the stock market as an individual Canadian investor:

Fintech Stock	Description
Shopify (TSX:SHOP)	E-commerce company with investments in cryptocurrency and other alternative payments.
Nuvei (TSX:NVEI)	Alternative payment system that lets people use cryptocurrency to purchase items.
Lightspeed Commerce (TSX:LSPD)	Point-of-sale company that offers a popular payment service.
Propel Holdings (TSX:PRL)	Lending platform that helps marginalized communities get access to credit.
Mogo Inc (TSX:MOGO)	Diversified fintech company with holdings across lending, investing, and mortgages.

Shopify

Shopify is a stock that needs no introduction. The biggest tech company in Canada by market cap, it is widely used in Canada and around the world. Shopify's main service is an e-commerce platform that helps people host their own online store. This is what Shopify is known for, but it is also a payment company.

Shopify Payments touts itself as the simplest way to accept payments online. It allows vendors to easily accept hundreds of payment methods, from credit cards to cryptocurrency to Paypal. The versatile payment platform helps power Shopify's famous e-commerce platform.

Nuvei

Nuvei is a payment company that lets people accept alternative payment options, including cryptocurrency. Not all payment systems currently allow people to accept crypto, so Nuvei is a big step up from, say, bank transfers.

Nuvei's payment platform runs on smartphones and tablets, so it can be used as a point of sale

system. It can also integrate with websites, making it useful as an online checkout payment method. The number of use cases for Nuvei is endless, and the company accepts 570 payment methods along with 150 currencies, which not many payment platforms can boast.

Lightspeed Commerce

Lightspeed Commerce is a Canadian e-commerce company that is now making a big splash in the fintech space. It started off as a retail point-of-sale company (a company that helps businesses manage their purchases and cash registers), but later expanded into other verticals.

Today, Lightspeed Commerce is a full-service fintech company, with payment offerings that customers can use both online and in person.

Propel Holdings

Propel Holdings is a payment company that helps underserved communities get access to credit. In recent years, poor credit availability in certain communities has become a major concern. Banks have been criticized for refusing to lend to working class people or those from marginalized demographics. The banks themselves have pledged to work on this², but it remains to be seen whether they will take meaningful action.

Propel has made serving marginalized communities part of its corporate DNA. It offers services like Money Key, an online lender; and Credit Fresh, a platform that partners with banks to get people personal lines of credit.

Services like these aren't uncommon, but Propel is unique in its focus on serving underserved communities. Institutional investors often like to buy shares in companies perceived as being ethical, and Propel's focus on the underserved may help with securing it a place in [ESG portfolios](#).

Mogo Inc.

Mogo Inc. is a Canadian fintech company that offers credit cards, debt management, and investing solutions. It has three main services:

1. **Mogocard** – a credit card with an accompanying budgeting app that helps people avoid overspending their income.
2. **Moka** – an investing app that helps people keep track of their investing results and performance.
3. **MogoMortgage** – a service that helps home buyers find the best mortgage rates in their area.

Collectively, Mogo's apps help people with many of their personal finance needs. It also runs a tree-planting initiative, so users can contribute to a good cause.

Investing in foreign fintech markets

As a Canadian investor, you may wish to invest in Canadian stocks, but it's important to remember the opportunities that exist in [international markets](#) as well.

Many of the world's top fintech stocks are [on the United States' exchanges](#):

- **Paypal** ([NASDAQ:PYPL](#)), a top American fintech company, is considered the world's leading non-bank payment company. It lets people send and receive payments online quickly and easily. It is widely used by both businesses and individuals, and plays a big role in the global economy.
- **Block** (NYSE:SQ) is a leading fintech company in the cryptocurrency space. It is well known for its popular Cash App, which lets people send and receive Bitcoin. It also has a convenient physical card reader that turns smartphones into portable payment platforms.
- **NU Holdings** ([NYSE:NU](#)) is a Brazilian financial services company that offers a mix of conventional banking and fintech services. Its flagship company, Nu Bank, is both a normal bank and crypto payment company. For the most part, it offers conventional savings and loans, but it also allows crypto payments. Nu even has plans to launch its own cryptocurrency in the near future.

Are fintech stocks right for you?

Ultimately, whether fintech stocks are right for you depends on your personal risk tolerance and investing needs. Fintech stocks can deliver great returns when the market conditions are favourable to [technology companies](#), but they tend to be more volatile than conventional financials (e.g., banks and insurance companies).

Fintech stocks took a major dip in 2022 as high interest rates took a bite out of their valuations. On the flip side, they became a lot cheaper than they were before.

Today, there are many interesting buying opportunities in the Canadian fintech industry. In the future, when market conditions become more favourable to technology stocks, many will turn out to have been great buys.

TICKERS GLOBAL

1. NASDAQ:PYPL (PayPal Holdings Inc.)
2. NYSE:NU (Nu)
3. NYSE:XYZ (Block)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:MOGO (Mogo Inc.)
6. TSX:NVEI (Nuvei Corporation)
7. TSX:PRL (Propel)
8. TSX:SHOP (Shopify Inc.)

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2025/06/27

Date Created

2022/12/01

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