Better Buy: BlackBerry (TSX:BB) or Lightspeed POS (TSX:LSPD)?

Description

Innovations happen rapidly in the tech industry. Tech companies that were once leaders in their fields can be relegated to second-class status in a matter of months. That is precisely what happened to **BlackBerry** (TSX:BB)(NYSE:BB).

The former smartphone giant was left behind by its competitors and has struggled ever since. However, BlackBerry managed to switch its focus and now provides software services, but the road ahead will be arduous.

By contrast, **Lightspeed POS** (TSX:LSPD) is an ascending tech firm that recently went public and has been providing market-beating returns ever since. At first glance, the future looks bright for Lightspeed.

Which of these two companies is the better buy today?

The case for BlackBerry

BlackBerry reinvented itself and now operates as a security software business. Such services are in high demand and often come with long-term contracts and carry high-switching costs. These factors could make the switch to software as a service a wise one for the Toronto-based tech firm.

But that is assuming BlackBerry manages to make an impact in this very competitive market. The company decided to rely on acquisitions to get its foot in the door. The most important such acquisition was that of **Cylance**, a California-based cybersecurity company. Gaining access to Cylance's wide portfolio of clients may have been the boost BlackBerry needed.

That being said, the firm's financial results haven't been particularly stellar just yet. The company's latest earnings report — the first that included earnings from Cylance — were somewhat encouraging.

BlackBerry's GAAP revenue grew 16% year over year to $247 million, while revenue for the software and services segment jumped by 27% year over year. Cylance's number of subscriptions increased 30% year over year, which helped the firm's top line growth.

However, BlackBerry's margins took a hit; the firm's net profit margin decreased by almost 15%. Although BlackBerry is making strides in the right direction, the company clearly has more work to do to return to its former glory.

The case for Lightspeed

Lightspeed's shares have climbed by 137% since its IPO in March. This return easily edges out those of most other companies, especially since equity markets have been reeling recently. Lightspeed's business model is to a large extent responsible for this performance.

The firm provides POS systems, e-commerce platforms, and other software services to small and midsize companies within the retail and restaurant industries. Lightspeed's potential clientele spans the entire globe. The firm serves over 700 (and growing) customers in some 100 countries around the world.

Though we do not yet have years of financial results for Lightspeed to make predictions about its future, what little we do have is impressive.

During the first quarter of its current fiscal year, the firm saw its revenues increase by 38%, with recurring software revenue increasing by 40%. The company displayed an excellent gross profit margin of 65%, too.

Perhaps more importantly, Lightspeed's business is growing, with customer locations increasing by 20% year over year, and a surge in demand (both from new and existing clients) for one of its newer services dubbed Lightspeed Payments.

While Lightspeed isn't yet profitable, the company's strategy seems to be working.

Which is the better buy?

Both companies display unattractive valuation figures. But for investors looking to take a little risk, Lightspeed may be a better pick at the moment. While the firm's future is uncertain, its business strategy has already delivered the kind of top-line growth most companies dream of, and there is a lot of room left for more.

Sure, the firm is still operating at a loss, but those willing to be patient might be handsomely rewarded in the future.

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