



2 Top Growth Stocks Worth Paying a Premium for

Description

For investors looking to add some growth to their portfolio, two of Canada's top tech companies, **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), are a great place to start.

The two growth stocks have crushed the Canadian market's return since joining the **TSX**. The future is looking just as bright, but both stocks are trading at alarmingly high valuations today.

I wouldn't let valuation alone prevent you from investing in a [high-flying growth stock](#). Neither Lightspeed nor Shopify have even been considered cheap. Investors that have been waiting for the right price have already missed out on some serious growth.

Lightspeed POS

At a market cap of \$10 billion, Lightspeed is a far smaller company than Shopify. Shopify's market cap of \$175 billion ranks it as the largest public company in Canada.

There might be a major difference in terms of market cap size between the two [tech stocks](#), but the valuations are quite similar. Lightspeed and Shopify are both trading at a lofty price-to-sales ratio of about 60 today.

The reason why I'm completely comfortable adding to my Lightspeed position at these prices is because of the massive long-term market opportunity.

Lightspeed has come a very long way from the days that it was known solely as a point-of-sale hardware provider. Over the past several years, Lightspeed has reinvested aggressively back into the business to both grow its product offering and expand its geographic presence.

Today, Lightspeed's cloud-based solutions can help both its online and brick-and-mortar customers with their entire business. Inventory management, digital marketing and analytics, and e-commerce solutions are just three examples of Lightspeed's growing product offering.

Investors waiting for Lightspeed stock to be considered cheap may be waiting a while, but it is trading at a discount. The Montreal-headquartered company is trading about 20% below all-time highs right now.

Shopify

Over the past five years, not many TSX stocks have outperformed Shopify. Since early 2016, shares of the tech giant are up an incredible 3,500%.

Now valued at close to \$200 billion, I wouldn't bank on Shopify being a 30-bagger again over the next five years. But that doesn't mean I think the tech stock is going to have any trouble outperforming the broader market.

Shopify is coming off back-to-back quarters where it grew revenue close to 100%. It ended its 2020 fiscal year with above 90% revenue growth in both the third and fourth quarters. The rise in e-commerce from the pandemic was a major tailwind in that growth, but it also reminded investors that Shopify is still largely in growth mode.

Similar to Lightspeed, Shopify stock is trading at discount right now. The tech stock is trading now more than 20% below all-time highs from earlier this year.

Foolish bottom line

Between Shopify and Lightspeed, based primarily on market cap size, I'd say that Lightspeed has a higher growth potential over the long term. If you're looking for a potential multi-bagger, I'd pick up shares of Lightspeed. If you're looking instead for a company with a proven market-beating track record with lots of growth still left in the tank, Shopify might be a better fit for your portfolio.

My only advice when investing in growth stocks is to be aware of their total allocation in your portfolio. Having a high percentage of your portfolio dedicated to growth companies like Shopify or Lightspeed may lead to more volatility than you're willing to endure.

I'm not doubting either stock's ability to be a market beater over the long term. That being said, I'd certainly bank on the path to market-beating growth to be a bumpy one.

CATEGORY

1. Investing
2. Tech Stocks

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1. growth investing

2. growth stocks
3. Lightspeed POS
4. lighspeed
5. LSPD
6. SHOP
7. Shopify
8. Shopify Stock
9. tech
10. tech investing
11. tech stocks
12. technology

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:SHOP (Shopify Inc.)

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8. Shopify Stock
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11. tech stocks
12. technology

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