



Why This Stock Has the Potential to Rise 1000%

Description

Investors are forever looking around for multi-bagger investments. If you get your hands on one stock that is a long-term winner, you can retire wealthy. Think about investors who bet on **Amazon** after the dotcom crash.

There are so many other instances where stocks have generated millions for investors including **Apple, Google, Netflix**, and the more recent **Shopify**.

There is one Canadian tech stock that holds the potential to gain 1000% in the coming years. **Lightspeed POS** ([TSX:LSPD](#)) went public earlier this year and the stock has already doubled since its IPO in March 2019. Lightspeed is a “[point of sale company](#)” that builds integrated e-commerce, hospitality and supply chain management solutions.”

Accelerating revenue growth

A stock's key drivers are its revenue and earnings growth. Lightspeed increased sales by 35.1% to \$77.5 million in fiscal 2019 (year ended in March). This revenue growth is set to accelerate. Analysts expect the company's revenue to grow by 46.2% to \$113.25 million in 2020 and 48.3% to \$168 million in 2021.

Though currently unprofitable, Lightspeed will be increasing bottom-line at a robust pace. Its earnings per share are expected to rise by 94% in 2020 and 45.5% in 2021. In fact, it's quite possible for Lightspeed to turn profitable by the end of 2023. A high-growth profitable company is a dream for most investors.

What will drive Lightspeed revenue?

Lightspeed is part of a high-growth industry. One Grandview research suggests that point of sale (or POS) services are expected to grow at an annual rate of 7.8% till 2025. At the end of the first quarter of fiscal 2020, Lightspeed is available in 51,000 customer locations in over 100 countries. Its gross

transaction volume reached \$15.6 billion in the last 12 months.

Lightspeed has achieved an annual growth rate of over 20% in new locations. It's looking to enter new markets by leveraging sales and marketing expertise. In the first quarter, around 33% of sales were from markets outside North America.

The company has a cash balance of \$191 million which is more than enough to service its debt of \$13.5 million. It can also grow via acquisitions. Lightspeed recently acquired Europe-based iKentoo, which has over 4k customer locations and a strong presence in France, Switzerland and South America. iKentoo is a leader in POS solutions and business management systems in the hospitality space.

Is Lightspeed stock overvalued?

Lightspeed has a market cap of \$3.33 billion, which means that the stock is trading at 29 times 2020 sales. Comparatively, Shopify has a market value of \$40 billion and its stock is trading at 26 times 2019 sales. Shopify's sales are estimated to grow by 43.2% to \$1.54 billion in 2019 and 33.6% to \$2.05 billion in 2020.

Lightspeed is trading at a premium valuation. However, the company's robust growth rates support its lofty trading multiples. There's a good chance that Lightspeed will decline a fair bit in upcoming months as markets are likely to be choppy. Here's investors need to keep an eye on Lightspeed and buy the stock at every dip.

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2. Tech Stocks

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