



Lightspeed (TSX:LSPD) Is at a Difficult Crossroads: Should It Focus on Growth or Profits?

Description

Whether a company should focus on being profitable or growth is one of the most difficult decisions that can be made by executives. It's a question that is weighing on the mind of **Lightspeed POS Inc** ([TSX:LSPD](#)) CEO Dax Dasilva as well.

Although the stock has been doing great since its IPO, with investors recently selling-off [growth stocks](#), it's definitely raising an important question of whether the focus going forward should be on profitability rather than growth.

In a recent interview with *BNN Bloomberg*, Dasilva noted that "Our Canadian investors would like to see profitability sooner and the American investors would like to see growth, more growth."

The company's growth has certainly been what's attracted investors to the stock thus far. In Lightspeed's most recent fiscal year, sales of US\$77 million grew by 36% from the previous year and have more than doubled in three years.

However, even more growth is on the way, with sales expected to rise 48% for the current fiscal year. The company has been busy with acquisitions and is still looking for more, which could fuel additional sales growth for Lightspeed.

However, there's no expectation as to when a profit may be in sight.

Why profitability shouldn't be a focus...yet

For Lightspeed to shift gears and tone down some of its expansion in exchange for a stronger bottom line could prove to be a big mistake.

While every company should strive to be profitable, in the early growth stages, the priority should be to grab market share and secure customers that you can build long-term relationships with over time.

While that doesn't necessarily mean that burning through cash and accumulating astronomical losses is okay, it definitely makes a lot more sense to prioritize growth, at least over the short term.

And in Lightspeed's case, it's not in a dire situation where it's losing tons of money. While net losses of US\$184 million over the trailing 12 months certainly looks bad from afar, at the end of the day the net loss is just an accounting number and nothing more.

What's more important is cash flow, and Lightspeed has burned through US\$6 million last quarter from its operating activities and in the quarter before that, it was almost cash-flow positive.

Lightspeed, however, is not far from profitability, as its operating losses have been below US\$10 million in each of the past four quarters.

Key takeaways for investors

If we look at some of the hottest stocks on the markets, the pattern is clear: growth is what matters to investors. And as long as Lightspeed can continue its impressive growth, the profits should take care of themselves.

If Lightspeed needs to help fund its growth and issue more shares, a rising stock price will be very helpful in achieving that.

Although investors may have recently turned away from growth stocks, the results over the past few years speak for themselves. You only have to look to a stock like **Shopify** to see that the name of the game is always [growth](#).

Lightspeed could be one of the hottest growth stocks on the **TSX** and the company should keep on doing what's been working for them.

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