



Lightspeed (TSX:LSPD) Stock Tanks 13% After Earnings Disappoint

Description

On February 6, 2020, shares of **Lightspeed POS Inc.** ([TSX:LSPD](#)) fell 13.25%. Lightspeed announced its fiscal third quarter of 2020 earnings yesterday and reported sales of \$32.3 million, a year over year growth of 61%. This figure was higher than the company guidance of sales between \$31.5 million and \$32 million.

LSPD reported adjusted earnings of -\$0.18, well below consensus earnings estimates of -\$0.09, driving the shares lower yesterday.

In the December quarter, LSPD's gross margin rose to 64%, up from 46% in the prior-year quarter. Net loss improved to \$15.8 million, down from a net loss of \$71.1 in the prior-year period.

According to consensus estimates, LSPD sales were estimated at \$32.1 million with a net loss of \$8.52 million. The company's adjusted EBITDA stood at -\$5.3 million and was within management guidance of EBITDA between -\$5 million and -\$5.5 million.

What impacted LSPD sales in Q3?

Lightspeed continues to benefit as small- and medium-sized businesses (SMBs) replace their legacy point of sale systems with the former's cloud-based solutions. LSPD solutions are available at 74,000 customer locations that help customers to streamline operations and boost profit margins.

During the earnings call, company CEO Dax Dasilva stated, "Our ambition to create a category leader for the highly fragmented complex SMB space is grounded in our belief that communities are built on the success of the local independent SMB, and our desire to help those businesses thrive."

He added, "In the year since going public, we've consistently demonstrated that Lightspeed is uniquely positioned to help retail and restaurant merchants across the world reach their full potential."

Lightspeed's merchant base expanded at a fast rate and the company now processes \$20 billion in gross transaction volume, up 45% from \$13.6 billion in the prior year. LSPD aims to become the global

leader in serving SMBs. Hospitality customers account for 45% of Lightspeed's customer base.

In the March quarter, Lightspeed has forecast sales between \$35 million and \$35.7 million in the fourth quarter, indicating a year over year growth rate between 64% and 68%.

This will mean sales of \$120 million in fiscal 2020 — a growth of 55% year over year. Analysts expect LSPD to report sales of \$34.9 million in Q4.

What next for investors?

Lightspeed went public in March 2019 and the stock has more than doubled since then, despite the recent pullback. The company is valued at 27.3 times forward sales, making it one of the most expensive Canadian buys.

However, LSPD is estimated to grow sales by 55% in fiscal 2020 and by 52% in 2021. These growth rates support a high valuation. Further, the company might report a positive EBITDA by the end of fiscal 2022 as the company continues to expand profit margins. LSPD is aggressively expanding via acquisitions as well. It recently acquired Gastrofix- [another hospitality-focused POS venture](#).

While Lightspeed will continue to trade at a premium, the stock has tremendous potential to generate significant returns for long-term growth investors.

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