



Could Lightspeed (TSX:LSPD) Stock Be a Millionaire-Maker?

Description

Lightspeed POS (TSX:LSPD) stock has [more than tripled since late March](#). The Montreal-based payment processor reported earnings that were much better than Bay Street had expected. Revenue surged 70% in the latest quarter compared to the same period a year ago. Bear in mind, we weren't dealing with a global pandemic last year.

The ongoing shutdown has been brutal for Lightspeed stock. The company lost nearly 74% of its value between January and March this year as the crisis unfolded. Now that valuation has bounced back up to \$2.7 billion. Does it have more room to grow? Could it potentially deliver millionaire status to early investors? Here's a closer look.

Payments potential

Unsurprisingly, taking a cut of consumer payments is a massive business. POS terminal software alone is a market experts believe could be worth US\$126 billion by 2027. In Canada, Lightspeed is undoubtedly a market leader.

However, the company was over-exposed to restaurants and small physical retailers going into this crisis. Small brick-and-mortar businesses have been at the epicentre of this ongoing turmoil.

Fortunately, Lightspeed decided to focus on its e-commerce offering just in time for the lockdowns. Now, the tremendous gains from online shopping seem to be offsetting the losses from the physical retail segments; e-commerce payments processing is expected to be a US\$138 billion market by 2024.

It may be fair to say Lightspeed stock's growth opportunity is worth multiple times its current market value of \$2.7 billion. A ten-fold return could certainly push some investors with sizable positions into the seven-figure club.

Lightspeed stock valuation

Lightspeed's revenue jumped while its net loss narrowed this quarter. The company could be on the verge of profitability.

The company reported \$51 million in revenue in its latest quarter. At that rate, total revenue for 2020 could range from \$200 to \$250 million, which means the current market value ranges from 10 to 14 times. That's not bad for a company that just reported a 70% jump in sales. In other words, Lightspeed could be an opportunity for growth at a reasonable price.

Competition

The only thing that can prevent Lightspeed stock's multibagger returns is competition. Online payments processing is a crowded and fiercely competitive market. Canada's largest tech company, **Shopify**, offers a homegrown version. South of the border, **Square** and **PayPal** are well-established players with deep pockets.

The battle for online merchants could squeeze margins over time. However, given the fact that online shopping is still just a fraction of total global retail, there might be room for these companies to co-exist for decades.

Foolish takeaway

Lightspeed stock has had a wild ride this year. Investors are justifiably concerned about the impact of the lockdown on the company's retail clients. Small businesses with physical outlets could be on the brink of collapse throughout 2020.

However, the Lightspeed team seems to have offset this risk by pivoting to e-commerce payments. The market opportunity here is immense.

Lightspeed stock could certainly be a millionaire-maker if the company can sustain growth at its current pace. This pace of growth also justifies the valuation.

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