



Why Lightspeed POS (TSX:LPSD) Just Soared 38% in a Day

Description

Lightspeed POS ([TSX:LPSD](#)) stock just skyrocketed 38% in a single trading session following the release of some pretty exceptional fourth-quarter fiscal 2020 results that caught everybody by surprise.

The provider of commerce-enabling solutions was caught in what *Mad Money* host Jim Cramer refers to as the “blast zone” of the coronavirus. Many of Lightspeed POS's clients were among the most vulnerable amid this unprecedented crisis. We're talking small- and medium-sized businesses (SMBs) that primarily operate in the realm of the physical. Think restaurants and mom-and-pop brick-and-mortar retailers.

Shopify-like in nature!

While there was no question that a considerable chunk of Lightspeed's recurring revenue base was at risk, I noted that the firm was “**Shopify-like**” in nature and that it was just a matter of time before the severely battered stock would double in a [correction the upside](#). The Q4/F20 results revealed “record uptake” of Lightspeed's e-commerce solution, which mirrors Shopify's off-the-charts e-commerce-driven bounce.

Sure, Lightspeed POS wasn't a pure-play e-commerce player, but many investors, I thought, were heavily discounting the firm's e-commerce platform as well as its Delivery and Payments platforms, which were red hot for the quarter, as firms scrambled to adapt profound coronavirus-induced operational disruptions. Not to mention that many of Lightspeed's compelling (and underrated) platforms smelled similar to that of Shopify's!

In many prior pieces, I'd pounded the table on Lightspeed POS stock following the +70% implosion on the coronavirus crisis, even going as far as naming it [my top TSX tech pick for the month of May](#). This piece will dig deeper into the stellar quarter to determine if the one the biggest “COVID-19 crisis losers” is still a buy after its post-earnings upside correction.

What a quarter!

Lightspeed POS beat on the top line, clocking in revenues of \$36.3 million, up 70% on a year-over-year basis. EBITDA was at negative \$6.2 million, which was a narrower-than-expected loss than the consensus, which called for a \$7 million loss. EBITDA margins were also robust, but it was the “record uptake” across Lightspeed POS’s platforms (e-commerce, Delivery, and Payments) that were significant bright spots for what was supposed to be a dark quarter.

The results were undoubtedly impressive, but the excessive pessimism surrounding the name and a vast misunderstanding of Lightspeed’s various offerings were likely a major reason why Lightspeed POS stock skyrocketed into the stratosphere, surging over 40% intraday before ending the day up a whopping 38%.

Many SMB firms are under pressure, and they view Lightspeed as a vital lifeline to make it through this crisis. Lightspeed’s customer base swelled amid coronavirus-induced lockdowns, and this may be just the start, as SMBs look to gain any advantage they can to adapt to these difficult times.

Should you buy Lightspeed POS stock now?

The quarter confirms the resilience of a company that many heavily discounted. Like Shopify, Lightspeed POS offers an invaluable service to its clients. And as the economy looks to re-open for the summer, LSPD stock could be better to roar even louder.

There’s no question that the post-earnings rally was off the charts. While I think this is the start of a sustained rally higher, I’d urge investors to consider waiting for a slight pullback before initiating a full position in the name, as shares may be too hot to handle after nearly 40% bounce.

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