



Why Lightspeed (TSX:LSPD) Stock Gained 38%

Description

Shares of Canada-based tech company **Lightspeed POS** ([TSX:LSPD](#)) closed trading at \$34.18 on May 21. It gained approximately 38% yesterday on the back of strong quarterly results. LSPD announced its fiscal fourth quarter of 2020 results and reported revenue of US\$36.3 million — a rise of 70% year over year. It reported a net loss per share of US\$0.21.

According to data from Yahoo! Finance, analysts expected Lightspeed to report revenue of US\$35.4 million and a net loss of US\$0.14 per share. While LSPD managed to beat analyst revenue estimates, it fell short of earnings forecast in Q4.

Lightspeed's recurring software and payments revenue rose 70% as well in Q4 to US\$31.8 million. Recurring revenue accounted for 87.6% of total sales. While the company's gross margin improved from 58% to 63%, its adjusted EBITDA loss expanded to US\$6.2 million from US\$4.1 million in the prior-year period.

In fiscal 2020, Lightspeed's revenue was up 56% at \$120.6 million. Its recurring software and payments revenue also rose 56% to \$106.9 million, accounting for 89% of sales.

Lightspeed revenue growth was driven by strong customer acquisition

In fiscal 2020, Lightspeed managed to increase its customer base to 76,500 — up from 49,000 in 2019. LSPD's gross transaction volume (GTV) in the last 12 months stood at US\$22.3 billion. This was 54% higher compared to the GTV of US\$14.5 billion in 2019.

The company's net dollar retention rate was positive, indicating expanding relationships with customers. For example, the number of customers using more than one LSPD module rose to 40% in Q4, up from 33% in the prior-year period.

Lightspeed provides a cloud-based SaaS (software-as-a-service) platform to small and medium

businesses. This platform enables businesses to manage operations and accept payments from consumers. LSPD operates in over 100 countries and largely depends on software subscription licences to drive revenue.

Lightspeed's cloud platforms aim to enhance the efficiencies of businesses and include omnichannel capabilities, including point of sales, inventory management, product and menu management, analytics and reporting, loyalty and customer management, as well as multi-location connectivity.

What next for LSPD investors?

Lightspeed's customer base primarily consists of restaurants and retailers. These two sectors have been hit hard in recent times due to the COVID-19 pandemic. However, LSPD management claims that 75% of its customers are actively trading. The company has experienced strong demand from the e-commerce vertical recently. Lightspeed's e-commerce retailer volumes rose 400% in April compared to February.

Driven by the accelerating shift towards e-commerce, Lightspeed Payments revenue touched record highs in April. Further, overall GTV in April was up 50% compared to March 2020. This was offset by weak sales in the hospitality sector. LSPD confirmed that hospitality sales primarily are subscription-based and do not depend on purchase volumes.

Despite a strong performance in Q4, Lightspeed management is wary about the COVID-19 impact on its revenue. The ongoing uncertainty meant that Lightspeed management [will not provide](#) guidance for the upcoming quarter or fiscal 2021.

LSPD has managed to stage a spectacular recovery amid the market sell-off. Lightspeed stock fell from \$45.6 on January 23 to a record low of \$10.5. This means shares have rebounded 225% in just over two months.

As lockdowns restrictions are slowly lifted, Lightspeed should experience an uptick in demand for its solutions. Its innovative product offerings and expanding addressable markets make LSPD [a solid bet for long-term investors](#). Despite its stellar run, the LSPD stock is still trading 31% below record highs.

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