



Lightspeed (TSX:LSPD) Stock Could Double Sooner Than You Think!

Description

Lightspeed ([TSX:LSPD](#)) stock roared up 45% last Thursday after it [reported fourth-quarter results](#). Its results were pleasantly surprising. Lightspeed proved the power and resilience of its platform and services.

In the quarter, Lightspeed grew revenues to \$36.2 million, a 70% increase year-over-year. Recurring software/payments revenue also increased 70% year to date and now makes up 88% of total revenues. The company had an adjusted EBITDA loss and a net loss of \$6.2 million and \$18.6 million, respectively.

While a net loss is never attractive, the company is deferring short-term profitability to invest in its platform and capture market share.

Despite some pandemic-related headwinds in 2020, Lightspeed is a stock that could double sooner than you may think. There are a few reasons for this.

Its platform is saving small-to-medium sized businesses

First, Lightspeed is experiencing strong demand for its cloud-based, omni-channel sales/business platforms. The pandemic has drastically altered operations for small-to-medium sized retail, restaurants, entertainment, and hospitality businesses. Many store-front businesses are adding e-commerce and delivery services as means to survive and thrive in the crisis.

Lightspeed's omni-channel platform helps retailers do just that. It provides online e-commerce avenues, in-person POS, inventory management, delivery management, customer interactions, advertising, and loyalty program services, all in one platform.

Lightspeed is continually adding new services to its platform. As a result, its average revenue per customer is consistently increasing from merchants adding on new services.

Cloud-based sales systems are imperative for survival

Second, many governments today are bolstering small businesses with specialty financing/funding options, providing provides a good incentive for smaller businesses to upgrade to cloud-based sales systems that integrate all aspects of business, including e-commerce and delivery. Lightspeed's cloud-based platform does this perfectly.

In order to compete in the new retail environment, businesses *need* to upgrade to cloud-based, omni-channel platforms. Store-front retailing is no longer enough.

Lightspeed management interestingly noted: "The need for an omni-channel cloud solution coupled with modern, integrated payment solutions is no longer a competitive differentiator, but **a business imperative**." Fortunately, government stimulus for small-businesses will help stimulate this transition.

A normalizing world is good for Lightspeed's stock

Third, the world is re-opening. A normalized consumer environment means less overall merchant churn or small business failure. Lightspeed, fortunately, has a global business, so its revenue mix is not dependent on any one countries pandemic regulations or restrictions. Small businesses in Europe and Australia are re-opening and Lightspeed is seeing business momentum return in those markets.

One concern hanging over Lightspeed's stock is that 50% of its customers are restaurant/hospitality-related. These businesses have really suffered during the crisis. Consequently, Lightspeed saw around 1,000 locations leave its platform and management warned churn could continue through 2020.

Yet, Q4 churn was actually much lower than most expected. Growth in 2020 will more than likely offset any churn. While the stock will likely remain volatile through the summer, it could see some nice stable upside as global business operations normalize out of the crisis.

Lightspeed's stock is way cheaper than Shopify

Last, Lightspeed's stock is relatively cheap. It trades at a price to sale of 14 times. While this seem expensive for a company with no earnings, [it is cheap compared to competitors like Shopify](#).

Shopify trades at 51 times price to sales, despite no earnings either. Shopify, of course, is a larger, better financed, more established business. Yet I believe Lightspeed's stock has significantly more upside because it is growing faster and has room for valuation expansion.

The Lightspeed bottom line

Lightspeed presently has around 76,500 locations utilizing its services. Yet, there are literally millions of merchants that need to convert to cloud-based sales/business systems. The market is ripe for disruption, and the COVID-19 crisis is only accelerating this.

Lightspeed has a strong balance sheet and \$210 million in cash. It is capitalized to weather this crisis and come out on top. Lightspeed's stock will undoubtedly face some volatility through the summer, yet any dip is a great buying opportunity.

Buy the stock today, and you could easily see it double in the next few years.

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