



Lightspeed (TSX:LSPD) Stock Is up 250%: 3 Reasons Why it Remains a Buy

Description

Canada's technology company **Lightspeed** ([TSX:LSPD](#)) has been on an absolute tear since it bottomed out in March 2020. The COVID-19 pandemic dragged its stock lower from \$45.6 in January 2020 to \$10.5 in March 2020. Lightspeed stock was grossly oversold and has since gained over 250% to trade at its current price of \$37.1.

Despite this rebound, LSPD stock is well poised to crush the broader markets, not just in 2020 but for the upcoming decade. I'll outline three reasons why growth investors need to keep an eye on Lightspeed.

A massive and expanding addressable market

Lightspeed is [a cloud-based platform](#) that aims to power small and medium enterprises (SMEs). It has a presence in 100 countries, and LSPD's scalable point-of-sale system helps SMEs sell across channels, manage operations, accept payments, improve customer engagement, and grow their business.

According to market research firm AMI Partners, there are 226 million SMEs all over the world that generated US\$59 trillion in sales during 2018. This number includes 47 million retailers and restaurants that are LSPD's target market.

Lightspeed has a growing customer base

Lightspeed has managed to grow its top line at an impressive pace, primarily due to customer acquisition. It continues to grow rapidly due to its expanding customer base coupled with a slew of cloud-based solutions and a robust POS platform.

Lightspeed states that its customer base is diverse, as no one customer generates over 1% of total revenue. The company also generates over 33% of sales from outside North America, and its customers have generated revenue growth of 20% on average in their first year on the LSPD platform.

This indicates strong customer retention and a positive net dollar retention rate. LSPD continues to invest in marketing strategies to attract new businesses to its platform and expand its customer count over time.

New customer solutions

Lightspeed continues to add new customer solutions and modules to its cloud-based platform. These data-driven solutions enable the company to generate incremental sales from existing customers as well as add new ones to its growing ecosystem. Lightspeed remains optimistic with regards to a growth in customer spending, as they adapt to additional modules over time.

One such solution is Lightspeed Payments, the company's payment processing solution launched last year. Lightspeed Payments is fully integrated with its platform and has significantly enhanced product offerings.

This solution enables LSPD to monetize a significant portion of its gross transaction volume, creating a massive opportunity for revenue growth.

Due to its recent surge in stock price, LSPD has a forward price-to-sales multiple of 28. The company continues to report a negative net income. While analysts estimate Lightspeed's sales to grow 23.7% to \$149.18 million in fiscal 2021, it is expected to accelerate by 51.2% to \$225.54 million in 2022 after COVID-19 restrictions are lifted and normalcy resumes.

LSPD, like most growth stocks, [trades at a hefty premium](#). However, the company's stellar metrics make it a compelling buy for 2020 and beyond.

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Date

2025/08/13

Date Created

2020/07/10

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