



Why I'm Bullish on Lightspeed (TSX:LSPD)

Description

If you have been following my articles for the past couple of months, you will have noticed that there are so few companies listed on the **Toronto Stock Exchange** that I am very bullish on; the most obvious one is **Shopify**, but other notable companies include **Constellation Software**, **Docebo**, and **Lightspeed** ([TSX:LSPD](#)). Today, I will explain why I am bullish on the latter.

I believe in management

One of the most important drivers of success for a company are the individuals in charge. If a company has terrible leadership, the business is doomed to fail, no matter how innovative or outstanding the product or service may be. Fortunately, this is not an issue with Lightspeed as CEO Dax Dasilva is among the best executives in Canada.

Dasilva founded Lightspeed after uncovering a problem within the retail industry, which did not allow small-business owners to properly run their stores. After considering how the process can be made more efficient, Lightspeed was born. Dasilva is a very passionate leader and his efforts have not gone unnoticed. In 2019, Dasilva was named Innovator of the Year by *The Globe and Mail* as part of its CEO of the Year feature.

Under Dasilva's leadership, Lightspeed has grown at a very respectable rate. Key acquisitions have expanded the company's reach in terms of industries and geographically. Now, Lightspeed offers custom business solutions for over 20 different business types spanning many continents.

Lightspeed management also played a key role in [navigating the COVID-19 pandemic](#), ensuring that small- to medium-sized businesses were able to maintain operations through the lockdowns.

Finally, I have previously explained the importance of [high levels of insider ownership](#) in the companies that I own. A large portion of Dax Dasilva's net worth is tied up in Lightspeed shares, currently holding 15.8% of the company. This shows that he is willing to be compensated according to the performance of the company.

The business model is exceptional

When looking at companies to invest in, I try to look for companies with a large portion of its revenues as recurring. This ensures stability within its client base and offers a clear path to increased revenues. Theoretically, if a business can maintain its current customers and offer more products or services, or expand geographically, its top line should grow accordingly.

As of Lightspeed's Q1 earnings report, 90% of its software and payments revenue is listed as recurring. This is an exceptional portion of the company's top line that is coming in at a consistent basis. In fact, not only is that portion of its revenue highly recurring, but it is also growing faster each year.

In fiscal year 2019, the company reported \$68.5 million in software and payments revenue. This accounts for a 34% year over year increase on fiscal year 2018. For fiscal year 2020, the company reported \$106.9 million in revenue for this segment of its business, representing an increase of 56% year over year.

Foolish takeaway

Lightspeed has been one of the most watched companies on the **TSX** in the past year, and rightfully so. Its management is one of the most impressive in Canada, and the company's business model is very impressive. I will continue to be bullish on this company as long as these factors do not change.

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