



## Lightspeed POS Rose 291% From its Lows: Is it Too Late to Buy its Stock?

### Description

As online activity continues to rise, shares of **Lightspeed POS** ([TSX:LSPD](#)) have soared over 291% from its 52-week low of \$10.5. With the pandemic in the background, an increasing number of small- and medium-sized businesses (SMBs) are moving online to offer omnichannel solutions to their customers, driving demand for Lightspeed's offerings.

Lightspeed's platform helps SMBs to provide their customers with a seamless omnichannel experience by facilitating payments, e-commerce, and supply chain. The strong demand pushed its gross transaction volume (GTV) higher in the [most recent quarter](#). Meanwhile, its revenues marked stellar growth.

### A look at Lightspeed's recent financial performance

As an increased number of consumers move online, a vast majority of retailers and restaurateurs are expanding their digital capabilities to survive and thrive, thus driving the demand for Lightspeed's digital products.

Lightspeed's total GTV increased by 17% to more than US\$5.4 billion in Q1, despite softness in April due to the COVID-19 outbreak. The pace of growth is gradually accelerating for Lightspeed, with June recording a 53% year-over-year increase in GTV.

While GTV increased, Lightspeed's customer base expanded to over 77,000 customer locations from 51,000 in the year-ago period. Further, monthly average revenue per customer (ARPU) jumped 15% year over year. Its total revenues increased 51% to US\$36.2 million, while recurring software and payments revenue (representing about 90% of its overall revenues) soared 57%.

### Demand to sustain

COVID-19 has changed the way retailers and restaurateurs run their operations, implying Lightspeed's secular tailwinds are intact and could continue to drive its financials. The acceleration in the

amalgamation of traditional selling models with the online and digital strategies provides a strong growth platform for Lightspeed stock, which is likely to sustain in the coming years.

The growth in the number of customer locations, despite challenges and high churn rate, indicates that Lightspeed's cloud-based solutions continue to resonate well with its customers and provide an opportunity to monetize a larger portion of its customers' GTV.

The demand for Lightspeed's digital offerings is likely to remain elevated in the near term, as reflected in its guidance. Lightspeed expects to report revenues of US\$38-US\$40 million in the second quarter, implying a year-over-year growth of 36-46%.

## Bottom line

Lightspeed POS has multiple growth catalysts that are likely to push its stock higher in the long run. The favourable industry trends indicate that the momentum in its GTV and revenues are likely to sustain. With more than 90% of its sales coming from recurring software and payments revenue and growth in ARPU, Lightspeed's fundamentals remain strong.

The recent rally in Lightspeed POS stock and its high valuation multiple could make you wonder whether to buy its stock now or wait for a pullback. I believe the heightened online activity should continue to accelerate Lightspeed's growth. Meanwhile, secular tailwinds are supporting its high growth and current valuation multiple. Thus, investors with a long-term investment horizon shouldn't worry much and [buy and hold Lightspeed stock in their portfolio forever](#).

### CATEGORY

1. Coronavirus
2. Investing
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