



Lightspeed POS (TSX:LSPD) Stock Just Soared 300%: Should You Buy?

Description

Shares of Canada's high-growth technology company **Lightspeed POS** ([TSX:LSPD](#)) has had a volatile few months. The COVID-19-led bear market sent the stock to a record low of \$10.5 in March 2020. It has since recovered close to 300% to trade at its current price of \$41.08. So, is the tech stock a buy right now?

How does Lightspeed generate sales?

Lightspeed provides [software solutions and support systems](#) to small and medium businesses. Its SaaS (software-as-a-service) platform provides enterprises with functionalities to help them engage with customers, manage operations, and accept payments. LSPD operates in over 100 countries and ended the June quarter with close to 80,000 enterprise customers.

The Lightspeed platform provides a slew of functionalities that include omnichannel capabilities, point of sale, inventory management, analytics and reporting, customer management, and financial services.

LSPD generates a significant portion of sales via subscriptions, which results in a steady stream of recurring revenue. This has helped it offset business cyclicity and ongoing macro weakness amid the COVID-19 pandemic. Its expanding portfolio of solutions has also helped the firm to increase revenue per customer over time.

The average gross transaction volume per customer is around \$600,000 on an annual basis. LSPD customers generated monthly ARPU (average revenue per customer) of \$245 per month as of June 2020. In its most recent quarter, LSPD's GTV stood at \$5.4 billion, up 17% year over year compared to GTV of \$4.6 billion processed in the prior-year quarter.

LSPD revenue is driven by the sale of its cloud-based software subscription licences primarily from the retail and hospitality segments. Its pricing plans are designed as per customer needs, and the company has successfully launched new products that have helped it increase customer spending.

The company said, "Our position at the point of commerce puts us in a privileged position for payment

processing and allows us to collect transaction-related data insights.” This led to the rollout of Lightspeed Payments, a payment-processing solution available to the company’s customer base. Lightspeed Payments was launched in the last quarter of fiscal 2019 and is one of the more popular products of the company.

Strong quarterly results

Last week, LSPD reported its [fiscal first quarter](#) of 2021 results. Its Q1 sales were \$36.2 million, up 50% year over year and above analyst estimates of \$31.2 million. No single customer account contributed over 1% to LSPD sales.

The company continues to reinvest in growth, and it claimed over 40% of customers pay for more than one product, up from 34% in the prior-year quarter. This will help the company drive ARPU higher in the upcoming months, which will increase its revenue base and strengthen its ability to increase its top line.

LSPD continues to report an operating loss, which stood at \$21.3 million compared to an operating loss of \$10.2 million in the prior-year period.

The Foolish takeaway

Lightspeed is a high-growth stock with a high beta. It is also trading at expensive multiples and is valued at 23.5 times forward sales. While LSPD stock will be volatile, it remains a top bet for growth investors in the upcoming decade given the increase in ARPU, customer locations, and gross transaction volume.

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