



## Is Lightspeed POS (TSX:LSPD) a Buy at These Levels?

### Description

**Lightspeed POS** ([TSX:LSPD](#)) has made a remarkable turnaround after bottoming out in March. The pandemic-infused lockdown had led to a temporary closure of non-essential businesses. So, the stock price of Lightspeed POS, which provides cloud-based point-of-sale software solutions to the retailers and restaurateurs, fell over 77% in March from its pre-pandemic highs.

However, the company has managed to adapt itself to the changing needs by offering omnichannel solutions for its customers to drive their businesses, which led to a rise in its stock price. Currently, the company trades close to 330% higher from its March lows.

So, is there more upside for Lightspeed POS? I believe the rally has just started, and the company's stock could see higher levels in the foreseeable future. Let's first look at its performance in its recently completed quarter and its growth prospects.

### Strong year-over-year growth

In the [first quarter](#), which ended on June 30, Lightspeed POS's revenue grew 50.5% to \$36.2 million, with more than 90% of the revenue contributions coming from the recurring software and payments segment. It ended the quarter with 77,000 customer locations compared to 51,000 at the end of the previous year's quarter.

Amid the pandemic, many SMBs (small- and medium-sized businesses) abandoned legacy systems and adopted omnichannel strategies, which drove the company's revenue during the quarter. For the quarter, its GTV (gross transaction value) came in at \$5.4 billion, which was 17% higher on a year-over-year basis. Meanwhile, its e-commerce activities increased close to 100% during the same period.

The company's gross profits rose 39%, driving its gross margins to 60%. Its adjusted EBITDA also showed improvement during the quarter but still stood in the negative territory at \$2.2 million. The company utilized \$7.4 million of cash during the quarter. However, at the end of the quarter, the company's cash and cash equivalents stood at \$203.5 million. So, the company has sufficient liquidity to support its future growth initiatives.

## Outlook

For the second quarter of fiscal 2021, the company's management expects its revenue to come between \$38 million to \$40 million compared to \$28 million in the previous year's quarter. Meanwhile, the management expects its adjusted EBITDA losses to increase from \$5.1 million to be in the range of \$7 million to \$8 million.

The pandemic has quickened the digitization process, with many businesses taking their shops online. Also, more customers prefer to shop online, given the increased convenience and safety it provides amid the pandemic. So, this digital shift could drive the demand for the company's services further.

Meanwhile, the company is focusing on enhancing its omnichannel shopping solutions to drive its sales. It has recently introduced curbside pick-up, contactless payment, a digital wallet for e-commerce, and new analytics modules.

In the hospitality segment, the company has expanded pick-up and delivery tools and also redesigned its e-commerce offerings to meet the evolving needs of its customers. I believe all these initiatives could aid the company in maintaining the demand for its services in the foreseeable future.

## Bottom line

The recent surge in Lightspeed POS's stock price has pushed its valuation higher. Currently, the company trades at a forward enterprise value-to-sales multiple of 16.7, significantly higher than the industry average. However, the company's high valuation is justified, as it is still in the growth phase, with its top line growing at over 50%.

Given its growing addressable market and competitive advantage, I am bullish on the stock. I expect the company's stock could easily [double over the next three years from its current levels](#). Despite its high valuation, I believe investors with a longer horizon should accumulate the stock for higher returns.

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rnanjapla

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