



If You Invested \$1,000 in LSPD's IPO, This Is How Much You'd Have Now!

Description

Lightspeed ([TSX:LSPD](#)) stock has been quite volatile since it went public in early 2019. The Canada-based tech stock priced its IPO at \$16 per share and touched a record high of \$49.5 in August 2019. It then slumped to a record low of \$10.5 a share amid the coronavirus-led sell-off and is currently trading at \$47.6 at writing.

So, if you invested \$1,008 in LSPD's IPO, you would have bought \$63 shares which would have been worth close to \$3,000 today as the stock has returned 198%. Comparatively, a similar investment in the **iShares S&P/TSX 60 Index ETF** would have returned just over 4% since Lightspeed's IPO.

While LSPD has outperformed the market in the last 18 months, will it continue to do so in the upcoming decade?

LSPD's focus on customer acquisition

Lightspeed's [cloud-based platform](#) aims to power small and medium enterprises (SMEs) in over 100 countries. Its easily scalable point of sale system helps retailers and restaurants sell across channels, manage operations, accept payments, and engage with customers.

AMI Partners has forecast that there are close to 226 million SMEs globally that generated \$59 trillion in sales in 2018. This includes 47 million retailers and restaurants, LSPD's target market.

Lightspeed continues to focus on customer acquisition to drive top-line growth. It has a diverse customer base, and no single customer accounts for more than 1% of sales. Further, over 33% of LSPD revenue originates from international markets outside North America.

Its customers have generated average revenue growth of 20% in their first full year on the LSPD platform, which indicates a positive net dollar retention rate and strong loyalty. The company continues to invest in marketing strategies that will help it expand its customer base over time.

LSPD has also managed to onboard new customers on its platform by expanding its suite of data-

driven solutions, which will help the company increase customer spending and drive incremental sales.

It launched Lightspeed Payments, a payment processing solution in early 2019. This offering is integrated with the LSPD platform and has significantly enhanced its product offering. LSPD payments enable the company to monetize a larger portion of the gross transaction value that is processed on its platform, thereby creating another revenue growth opportunity.

Lightspeed stock will be volatile

Similar to most other growth stocks, investors can expect LSPD to be volatile due to its high beta. For example, while the markets fell about 35% in early 2020, LSPD stock was down around 70%. While the markets recovered since March, LSPD has roared back to life and is now trading close to its record high.

Lightspeed stock is valued at \$4.42 billion, which means its forward price to sales multiple stands at a lofty 26.7. The company continues to post an adjusted loss, which is not unusual for a high growth tech company.

Analysts tracking LSPD expect the company's sales to grow by 37% year over year to \$165.3 million in fiscal 2021 and by 40% to \$231.38 million in fiscal 2022. We can see why LSPD stock is trading at a premium.

Analysts have a 12-month average price target of \$36.65 on LSPD, which means the stock is trading at a premium of 23%. Lightspeed [remains a top buy](#) for the upcoming decade and every major correction should be viewed as a buying opportunity.

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2. Tech Stocks

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