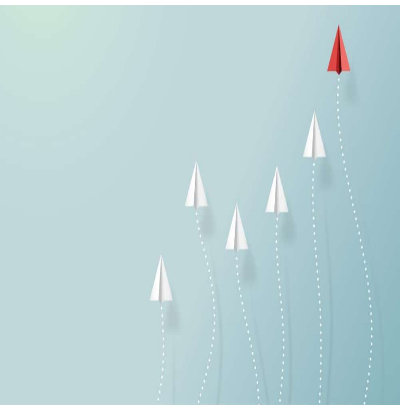

Why Lightspeed (TSX:LSPD) Stock Could Be the Next Shopify

Description

Shopify (TSX:SHOP)(NYSE:SHOP) is growing in popularity around the world. The e-commerce platform gives anyone the opportunity to become a supplier and easily sell their products and services online. In five years, the stock has increased by over 3,000%.

Even this year, with COVID-19 putting many businesses out of business, Shopify is thriving. Sales grew by 97% in its latest quarter. Since the start of the year, the stock has soared by around 130%.

Shopify's stock is pretty expensive with a forward P/E of 435, so buying shares today might not be a good idea. Rather than investing in Shopify, you may want to be on the lookout for a company that could be the next big tech stock on the **TSX**, **Lightspeed POS** (TSX: LSPD).

A strong first quarter

Lightspeed stock had a remarkable rally after hitting a low in March. The lockdown due to the pandemic has led to the temporary closure of non-essential businesses. Lightspeed stock, which provides cloud-based point-of-sale software solutions to retailers and restaurants, fell more than 77% in March from its pre-pandemic highs.

However, the company has been able to adapt to changing needs by offering its customers omnichannel solutions to boost their activities, which has led to a rise in its share price. Currently, Lightspeed stock is almost 260% higher from its March lows.

In the first quarter, Lightspeed revenue grew 50.5% to $36.2 million, with more than 90% of revenue contributions coming from the software and payments segment. It ended the quarter with 77,000 customer sites, up from 51,000 at the end of the quarter a year earlier.

In the midst of the pandemic, many small- and medium-sized businesses ditched legacy systems and embraced omnichannel strategies, boosting the company's revenue in the quarter. For the quarter, its gross transaction value was $5.4 billion, 17% higher year-over-year. At the same time, its e-commerce business grew by almost 100% during the same period.

The company's gross profits rose 39%, pushing its gross margins to 60%. Its adjusted EBITDA also showed improvement in the quarter, while remaining in negative territory at $2.2 million.

The company used $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. Thus, the company has sufficient liquidity to support its future growth initiatives.

For the current fiscal year, revenue is expected to increase to about $165 million, which would represent a growth of 37% from a year ago. Earnings per share are expected to increase by 32.3% to a loss of $0.42 per share.

Lightspeed stock has plenty of upside

The pandemic has sped up the digitization process, with many businesses going online. In addition, more and more customers prefer to shop online, given the increased convenience and security it offers in the midst of a pandemic. This digital shift could therefore increase the company's demand for services.

At the same time, the company is focused on improving its omnichannel shopping solutions to drive sales. It recently introduced curbside pickup, contactless payment, a digital wallet for e-commerce, and new analytics modules.

Given its competitive advantage and growing market, Lightspeed looks like a good long-term buy with the potential to deliver much higher returns than the market.

Lightspeed might be a more stable investment than Shopify in that it deals with businesses rather than consumers. The ability to build lasting relationships can generate recurring income that minimizes the volatility of one's earnings.

As it is in a high-growth phase, Lightspeed stock could easily double over the next year from its current levels.

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Date
2025/09/01
Date Created
2020/09/10
Author
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