



Lightspeed POS (TSX:LSPD) Crossed \$50 Mark: What Should You Do?

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock just climbed 16% at the start of the November 4th trading session to make a new high of \$53 before falling back to \$49. Even at \$49, the stock is up 9%. Three factors are driving the stock price. The first is the U.S. election, the second is the robust fiscal 2021 second-quarter earnings, and the third is the ShopKeep acquisition. How will these factors affect Lightspeed investors?

The U.S. election and Lightspeed POS

The U.S. election got investors on their toes. On November 4, the market started with Joe Biden leading the race to 270 seats. The U.S. tech stocks surged on the idea of a Biden victory. Under Donald Trump's presidency, many tech companies were hurt by the U.S.-China trade war. A Trump win means prolonged trade war, whereas a Biden win could ease the trade tensions.

While Lightspeed POS has nothing to do with the trade war, the overall optimism in the U.S. tech stocks helped. Lightspeed POS stock started trading on the New York Stock Exchange in September. Hence, it rallied along with other tech stocks on NYSE.

Lightspeed's fiscal 2021 second-quarter earnings

But Lightspeed investors had another reason to be bullish. It's fiscal 2021 second-quarter earnings showed a 62% year-over-year (YoY) growth in revenue to \$41.1 million. The revenue increased, as more customers adopted the Lightspeed platform and used its premium services. Moreover, the number of transactions taking place on the platform surged.

Lightspeed POS earns revenue from subscriptions, which depends on the number of customer locations. Its customer locations increased 68% YoY to 80,000. It added around 3,500 locations in the September quarter. The company's average revenue per user (ARPU) increased, as merchants used many of its new features.

Lightspeed earns a commission on every transaction that happens on its platform. Its gross transaction volume (GTV) increased by 56% YoY to \$8.5 billion. It maintained a cautious financial outlook due to the resurgence of COVID-19 cases and increasing government-mandated shutdowns of retail stores. Its cautious outlook represents a 40% YoY revenue growth in the third quarter of fiscal 2021, which is lower than its average revenue growth of 55%.

Lightspeed to acquire Shopkeep

Despite its cautious guidance, Lightspeed stock surged, as it [announced plans to acquire](#) New York-based cloud commerce platform ShopKeep for \$440 million. This acquisition will more than double Lightspeed's size by adding over 100,000 customer locations worldwide and around US\$33 billion in GTV. Lightspeed had 76,500 customer locations and \$22.3 billion in GTV at the end of fiscal 2020.

Lightspeed's revenue reached \$120.6 million in fiscal 2020, and ShopKeep's last 12-month revenue reached \$50 million.

What should you do as an investor?

Back in September, when Lightspeed launched its [U.S. initial public offering](#) and raised US\$397.7 million, I mentioned that it might use the proceeds for acquisitions. Investors value a high-growth stock like Lightspeed on revenue growth. The stock is trading at 22 times its sales per share, which is a good valuation for a 40-50% revenue growth rate. But the ShopKeep acquisition will add another \$50 million in revenue, making the 22 times price-to-sales ratio look attractive.

Lightspeed stock has surged over 90% last year. It has the potential to continue double-digit growth for the next two years. Don't rush to buy the stock above the \$50 price. Buy the stock when it sees a pullback and falls around the \$40-\$44 price range. If you already own the stock, it's a good time to encash 20% of your Lightspeed portfolio at the \$50 price.

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