# Is There More Upside to Lightspeed POS (TSX:LSPD)?

### Description

Last week, **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) reported better-than-expected second-quarter performance. Its top line came in at $45.5 million, better than management's guidance of $38 million to $40 million. Its adjusted EBITDA losses stood at $2.8 million, much lower than projected $7-$8 million. The impressive second-quarter performance led the company's stock price to hit record highs. Let's look at its second-quarter performance in more detail.



## Sales drivers

Year over year, Lightspeed POS's revenue grew 62%, driven by a growing customer base, higher adoption of software modules, growth in GTV (gross transaction volume), increased penetration, and revenue contribution from its acquisitions — Gastrofix and Kounta.

Its revenue from recurring sources — software and payments — also rose 62% to $41.1 million to form approximately 90% of its total revenue. Amid the shift in customer preferences towards electronic payments and away from cash, the revenue from its payments segment grew 300% year over year. Further, the company's physical transaction volumes showed significant improvement during the quarter due to the easing of restrictions.

At the end of the second quarter, Lightspeed POS had 80,000 customers, representing a year-over-year rise of 68% and a sequential growth of 26%. Its GTV increased 56% year-over-year to $8.5 billion. However, excluding the contributions from Gastrofix and Kounta, the growth stood at 25%.

The company's e-commerce GTV continues to outperform with 80% growth, while retail GTV grew 25%. Its hospitality GTV increased 97%, mostly due to acquisitions and a strong bounce back in the sector from its April lows. Further, the company claimed that its churn rate declined sequentially, while its ARPU (average revenue per unit) increased, which is encouraging.

## Adjusted EBITDA and liquidity

Lightspeed POS reported adjusted EBITDA losses of $2.8 million, an improvement from $5.1 million in the previous year's quarter. The company's liquidity position looked healthy, with cash and cash equivalents of $513.1 million at the end of the quarter.

Amid the rising COVID-19 infections, the company's management was cautious in providing its third-quarter guidance. The management expects its third-quarter revenue to be in the range of $44-$47 million, while its adjusted EBITDA losses to come between $8 and $10 million.

## Should you buy Lightspeed POS at these levels?

On Friday, Lightspeed POS stock rose to a high of $53 before closing at $51.53, representing a spectacular rise of over 390% from its March lows. The massive surge in its stock price in the last seven months has increased its valuation multiples. The company's forward enterprise value-to-revenue multiple currently stands at 16.7, which is on the higher side.

However, the company's growth potential looks strong. Apart from organic growth, it is also focusing on acquisitions to drive its business. On November 5, Lightspeed POS announced an agreement to acquire ShopKeep, a cloud commerce platform provider, for around $440 million in a cash and stock deal. ShopKeep's acquisition will add over 20,000 retail and restaurant locations to Lightspeed POS.



Further, AMI Partners has projected that there are around 47 million retailers and restaurants worldwide, which are Lightspeed POS's potential customers. With its customer base currently standing at 80,000, the company has significant potential to expand. Meanwhile, the company is also focusing on the development of innovative products to expand its customer base. It recently introduced e-commerce for restaurants, order ahead, and Lightspeed subscriptions.

So, given the growing addressable market, its innovative product pipeline, and acquisitions, I expect Lightspeed POS stock to double over the next three years.

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