



WAIT! Consider These 3 Things Before Buying Lightspeed POS (TSX:LSPD) Stock

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock stole the show last week, surging more than 16% to an all-time high of \$53. The stock surged as the company announced one of its best quarterly earnings so far. And the icing on the cake was the announcement of the ShopKeep acquisition.

Lightspeed is a relatively new company without a history of strong performance. Without historic data, risk-averse investors become doubtful whether the stock can sustain the \$50 price. Some investors booked profit, sending the stock down 2.5% to \$51.53 a day after the earnings.

Lightspeed POS and the pandemic

Lightspeed offers omni-channel solutions to retailers, restaurants, and golf clubs. Its platform allows merchants to manage finances, inventory, marketing, and payments of all their physical and online stores on a single platform. In the light of the COVID-19 pandemic, Lightspeed added features like order/appointment booking, shipping, curbside pickup, and e-commerce stores to help retailers grow their sales.

The new solutions made Lightspeed platform attractive to merchants, and more retailers and restaurants subscribed to it. Lightspeed's subscription fee depends on the number of customer locations. It also earns a commission on the number of transactions processed on its platform.

Three things to look for in Lightspeed earnings

Lightspeed is currently in the [high-growth stage](#), where its focus is more on revenue growth through customer acquisition. Hence, its stock is priced according to its revenue than its earnings. The company spends a huge amount on marketing and sales, because of which it is still operating at a loss. The only way it can convert its losses to profits is by retaining customers and cross-selling premium subscriptions and other services to existing customers.

Lightspeed earns 85%-90% of its revenue from recurring software and payments. It has been increasing its recurring revenue between 33% and 70% year-over-year (YoY). In the second quarter of fiscal 2021 ended September 30, Lightspeed's recurring revenue surged 23% sequentially, its highest sequential growth since the company started publishing its earnings in 2019. The higher revenue growth shows that the upgrades it made to its platform are being received well by merchants.

To grow this recurring revenue, Lightspeed encourages retailers to use its solutions across all its locations. A big company with multiple franchisees can significantly boost its revenue. The more locations the Lightspeed platform operates, the more transactions happen on its platform.

Lightspeed measures volume growth using the number of customer locations and gross transaction volume (GTV). It increased these metrics in the 20%-70% range in the last two years. In the second quarter of fiscal 2021, its GTV surged 57% sequentially, the highest growth since earnings reporting. Its customer locations surged 4% to 80,000 as the pandemic encouraged many retailers to close some of their locations.

What do Lightspeed earnings say about its future growth potential?

Lightspeed saw a sudden boost in sequential numbers as the fiscal 2021 first-quarter was slightly weak for the company because of the lockdown. The company is back to accelerated growth, with its revenue up 62% YoY in the second quarter of fiscal 2021 from 51% growth in the previous quarter.

Lightspeed has exceeded its revenue guidance every time since it started reporting earnings last year. It expects fiscal 2021 third-quarter revenue to grow by 45.5% YoY, its slowest growth in 18 months. It provided cautious guidance as the resurgence of COVID-19 cases is increasing restrictions on retailers and restaurants.

Future growth prospects

While it is difficult to predict a two-year growth for Lightspeed, the next year's growth looks strong. The company is focusing on expanding in the U.S. market. It launched a U.S. initial public offering in September from where it raised US\$355 million. Now, it is using some of these proceeds to [acquire](#) the New York-based cloud commerce platform ShopKeep.

ShopKeep serves over 20,000 customer locations in the United States, which fetch it \$50 million in annual revenue. Lightspeed expects to complete the acquisition by the end of this year. The integration could bring some merchant attrition, but Lightspeed's annual GTV could reach \$33 billion from \$26.1 billion at present. Its revenue could cross \$200 million from \$120.6 million in fiscal 2020.

Lightspeed stock could grow another double-digit next year.

CATEGORY

1. Coronavirus
2. Investing

3. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Tech Stocks

Date

2025/08/25

Date Created

2020/11/09

Author

pujatayal

default watermark

default watermark