



Why I Wouldn't Buy Lightspeed (TSX:LSPD) Stock Even After Its Earnings Beat

Description

Lightspeed POS Inc. ([TSX:LSPD](#))([NYSE:LSPD](#)) hit a new 52-week high on Monday when its stock price climbed to \$54.45 before giving back some of those gains. Investors have been bullish on the popular tech stock as it's coming off a strong quarterly result. On November 5, the Quebec-based business released its results for the second quarter.

Revenue of US\$45.5 million grew by 62% year over year — a 26% improvement from the first quarter. While its net loss of US\$19.5 million was higher than the US\$10.1 million loss it incurred in the same period last year, it was better than the US\$20.1 million loss Lightspeed reported in Q1.

It was a solid showing overall for Lightspeed, especially with the company growing its presence to more than 80,000 locations around the world and recurring software and payments revenue of US\$41.1 million making up most of the company's top line. As good as the quarter was for Lightspeed, it's still a stock I'd stay away from right now.

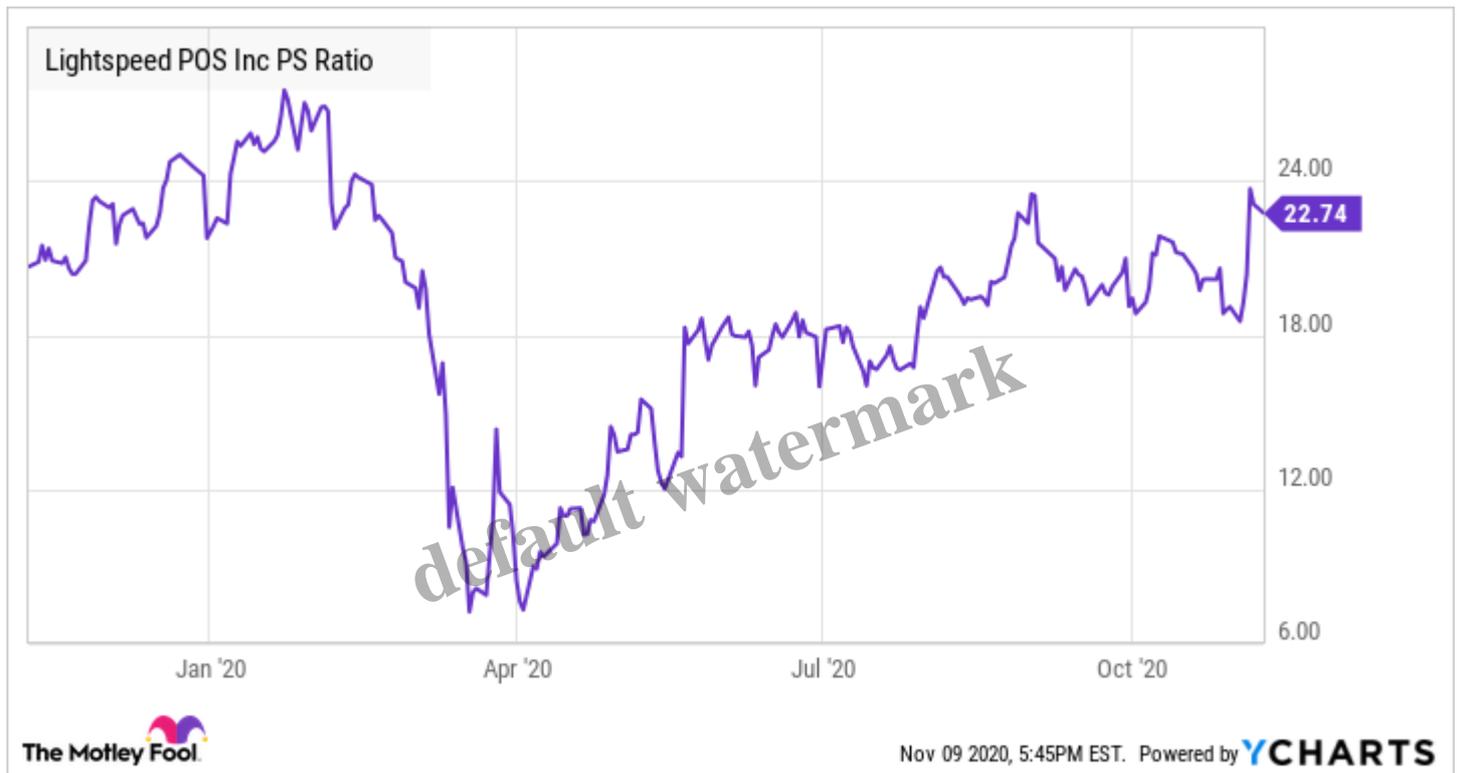
Why Lightspeed is a risky investment to be holding onto today

Lightspeed's business targets the retail and hospitality sectors. The only industry that's scarier than those two today might be [oil and gas](#). And with Lightspeed being a growth stock, it's going to be a tall task to keep those sales numbers climbing amid the coronavirus pandemic.

While Lightspeed's growing at a great pace right now, the reality is that may not last. COVID-19 cases are rising around the globe and that's not likely to end anytime soon. Although there's positive news this week about the efficacy of **Pfizer's** vaccine, the reality is that it could still be well into next year before there's widespread distribution of a vaccine. Many businesses may not survive that long, especially in retail and hospitality.

In the meantime, more shutdowns and lockdowns are a possibility, especially in the U.S. under a new government that may take a tougher stance on the pandemic. The industries that Lightspeed depends on for its growth rate now are incredibly vulnerable, even if there's a glimmer of hope that the pandemic can soon be contained.

And if Lightspeed's numbers start to falter, [that could quickly turn investors bearish on the stock](#). It also doesn't help that investors are paying much more of a premium for the stock than they were just months ago:



[LSPD PS Ratio](#) data by [YCharts](#)

Bottom line

Year to date, shares of Lightspeed are up around 40%. With the stock trading near a high and the outlook still very dangerous for the retail and hospitality sectors, there could be some tougher times ahead for the company. The worst is by no means over, and investors should be careful not to read too much into the company's recent results, which Lightspeed said benefited from the inclusion of Kounta and Gastrofix — acquisitions that bolstered its revenue in Q2 and that weren't included in its financials a year ago.

Without them, the company's software and payments revenue grew at a rate of 42% rather than 62% when including their results.

While Lightspeed's doing well right now, its impressive growth rate may not last for long.

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