



Lightspeed (TSX:LSPD): Further Upside in the Stock?

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is witnessing strong buying reflected through its stellar bull run. It has surged over 500% since hitting its low of \$10.50 on March 19. Imagine if you have invested \$10,000 in Lightspeed stock during the market meltdown, it would now be worth about \$60,000.

The astronomical growth in Lightspeed stock reflects strong secular industry tailwinds and stellar demand for its omnichannel commerce platform. The COVID-19 pandemic led small and medium-sized retailers and restaurant operators to shift from the legacy point-of-sale systems to the cloud-based omnichannel platform, driving strong demand for Lightspeed's offerings. Besides, its acquisition of Gastrofix and Kounta accelerated its growth further.

The rapid shift to the digital platform is reflected through a 40% jump in Lightspeed's [customer location](#) counts during the last reported quarter. Lightspeed posted a 62% jump in its revenues in Q2. Meanwhile, its strong growth in its recurring software and payments revenues is an encouraging sign.

The commerce-enabling company's gross transaction volume surged 56%, while its payment revenues skyrocketed 300%.

Will the growth sustain?

As the small and medium-sized businesses scramble to adopt the modern cloud-based e-commerce platform, Lightspeed is likely to gain big from the structural shift. Lightspeed's customer base, payment volumes, and average revenue per user are likely to sustain momentum and support its future growth.

Meanwhile, Lightspeed's focus on innovation, the opportunity to up-sell its existing products, geographic expansion, and strategic acquisitions augur well for growth. Lightspeed is targeting new customers in newer geographies and remains well positioned in the existing markets to deliver double-digit growth in the coming years.

Recently, Lightspeed acquired ShopKeep, which is likely to bolster its prospects in the U.S. The company said that ShopKeep powers more than 20,000 customer locations in the U.S. and should help in expanding its market share and accelerate its growth further by capitalizing on the increased

demand.

Lightspeed's growing scale in North America, expansion of its retail, restaurant, and hospitality customer base, and a large addressable market presents a solid foundation for growth over the next several years.

The company projects its Q3 revenues in the range of US\$44-US\$47 million, reflecting year-on-year growth of 36-46%. Besides, Lightspeed's digital products are likely to witness strong demand during the holiday season and are likely to support the uptrend in its stock.

Is the valuation still within reach?

Despite the massive rally, Lightspeed POS stock is still within reach and looks appealing. It trades at a forward EV/Sales multiple of 19.6, which is well below **Shopify**'s forward multiple of 32.2. Moreover, its price to sales ratio of 21.5 is significantly lower than Shopify and roughly in line with the historical average.

Final thoughts

Lightspeed is a must-have stock in your portfolio and has the potential to deliver [multi-fold returns](#) over the next decade. While the rally in its stock could keep you on the sidelines, its valuation is within reach and is likely to expand further on robust demand and secular industry tailwinds.

Lightspeed's strong competitive positioning and a large addressable market provide enough ammo for growth. Thus, investors with a long-term outlook should snap up Lightspeed stock even at the current levels.

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Date

2025/08/24

Date Created

2020/11/24

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