



Is Lightspeed POS (TSX:LSPD) Stock Still a Buy?

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) has been one of the best-performing **TSX** stocks this year. Rising 108% year-to-date as of this writing, it's been a scorching-hot riser. If you'd invested \$10,000 in LSPD at the beginning of the year and sold this past Thursday, you'd have walked away with a cool \$20,800.

Not bad for a less than one year holding period.

The question, though, is whether LSPD can keep up the momentum. After several periods of strong revenue growth and some big acquisitions, the company seems unstoppable. That doesn't mean that is actually is though. Revenue growth driven by acquisitions isn't always worth it, and Lightspeed's quarterly losses are actually growing. In this article I'll explore whether the stock is a buy at today's prices.

Recent financial results

Lightspeed's [second quarter results](#) were encouraging and discouraging at the same time. [Revenue growth of 62%](#) was not only strong, but an acceleration over the first quarter, when revenue grew at 51%. Additionally, the company's adjusted EBITDA loss was cut by more than 50%.

On the downside, the net loss grew from \$9 million to \$20 million and operating cash outflows increased by \$1 million.

Of course, we don't necessarily even expect young tech companies to turn profits right away. Lightspeed is barely over a year out from its initial public offering (IPO) so losses are expected. However, if we include Lightspeed's pre-IPO history, it's actually not that young. Founded in 2005, it's far from a seed stage company. It's therefore mature enough that we'd probably want profits sometime in the foreseeable future.

An exciting acquisition

The biggest single news item driving Lightspeed's gains is its acquisition of Upserve, a restaurant POS company. The acquisition is expected to drive \$6 billion in Lightspeed's Gross Transaction Volume and \$40 million in revenue. Beyond that, it also helps take competition off the market. Overall, it was a strategically valuable acquisition.

POS is often considered a crowded marketplace, so consolidation is good for investors. If Lightspeed snaps enough of its competitors off the market, then its competitive position will improve considerably.

Is it still a buy?

To say whether Lightspeed POS is a buy, we need to consider two things:

1. Diversification
2. Risk tolerance

Lightspeed stock is promising enough that it might make sense in a diversified tech portfolio, but it's a bit risky for a stock you'd put a huge chunk of your net worth into. I think having 1% of your net worth in LSPD would be a good idea, but I wouldn't bet the barn on it. There are real risks at play, including the possibility that the UpServe acquisition doesn't pan out. On the other hand, its upside in a best case scenario is substantial.

The second factor you need to consider is your own risk tolerance. LSPD is a very volatile stock that has swung up and down dramatically this year. If you can handle that kind of roller coaster ride, it might be worth it.

Otherwise, you should probably look elsewhere. Even *within* a highly diversified portfolio, LSPD could give you some anxiety if your risk tolerance is low.

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Date

2025/09/13

Date Created

2020/12/06

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