



This Canadian Stock Turned \$10,000 Into \$23,200 Last Year

Description

2020 was an incredible year for Canadian tech stocks. That year, we saw companies like **Shopify**, **Facedrive**, and **Docebo** beat the pants off the market, doubling (or more) in the span of 12 months. To be sure, it was a great year for tech stocks in general, with the NASDAQ rising 43%. But some of Canada's best-performing tech stocks beat even the NASDAQ, which itself was well ahead of the S&P 500. In this article, I'll explore one Canadian tech stock that not only beat the NASDAQ last year, but beat it by more than a two-to-one ratio, turning \$10,000 into \$23,200.

Lightspeed POS

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is a Canadian point-of-sale (POS) and e-commerce company. In the last 12 months, its stock rose 132% — enough to turn a \$10,000 investment into \$23,200.

Lightspeed started out as a provider of tablet-based POS systems for retailers and restaurants. Later, it branched out into e-commerce offerings that helped its customers take their stores online. The latter part of Lightspeed's business contributed greatly to its success in 2020. In the second quarter, Lightspeed's [e-commerce-related revenue](#) grew by 80% compared to 62% for the business overall. Without the e-commerce revenue, the company's growth would have been lower. So, Lightspeed's recent forays into e-commerce have been a success.

Why this stock crushed it

Lightspeed's strong stock performance in 2020 comes down to one word: [growth](#).

In the second quarter, Lightspeed experienced excellent growth metrics across the board, including

- 62% revenue growth;
- 62% growth in recurring software revenue;
- A 42% improvement in gross profit; and

- A \$2.3 million increase in adjusted EBITDA.

These are all solid metrics.

And for Lightspeed, they're just part of a long-term trend. In the quarter it went public, Lightspeed experienced 36% year-over-year revenue growth. The growth actually *accelerated* over a few quarters to the point where it was growing at 62% in the most recent quarter. Strong revenue growth in itself is a good thing, but when it's actually accelerating, that's a whole other ball game. If Lightspeed can keep up this kind of performance, its stock could have much further to fly.

Can it repeat the feat in 2021?

As we've seen already, Lightspeed had a great year in 2020, particularly in the second quarter.

The question is whether it can keep up the momentum.

As far as the revenue growth goes, I see no reason why it shouldn't. Lightspeed provides software to both brick-and-mortar retailers *and* e-commerce vendors, so it can thrive whether the COVID-caused e-commerce boom continues or not. The company also has a strong focus on individual niches (e.g., restaurants, golf courses, vape shops), which should help it sign up vendors in well-defined market segments.

The only thing that could potentially hold the stock back, in my judgment, is valuation. With a 63 price-to-sales ratio and a 13 price-to-book ratio, LSPD definitely isn't cheap. But if the company can keep growing at 62% year over year, then maybe such a steep price is justified.

One thing is certain: Lightspeed remains a stock worth watching in the year ahead.

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