



Lightspeed POS (TSX:LSPD) Stock Continues to Defy Gravity

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock was one of the biggest winners on the TSX in 2020. Up 140% for the year, it solidly beat the market. LSPD stock benefited from strong revenue growth in the first and second quarters, even though it missed on earnings. Investors apparently took the sales growth as a positive, bidding the stock up into the stratosphere.

At this point, LSPD is becoming a seriously expensive stock. Trading at 63 times sales, it's at a steeper valuation than most tech stocks. However, that doesn't mean it's not a good buy. If LSPD can keep posting solid growth metrics, then it may continue to defy gravity.

In this article, I'll cover a few factors that drove LSPD's massive gains in 2020 and explore whether the trend can continue.

Big rally in tech stocks

One underrated factor helping LSPD in 2020 was a broader rally in tech stocks. The NASDAQ gained about 45% for the full year, lifting most well-known tech stocks along with it. Stocks tend to correlate with other stocks in the same sector, so it's no surprise that Lightspeed rallied last year. However, its 140% gain is a fair bit a head of the tech sector as a whole. So, clearly, there's more to this story than just sector-wide momentum.

Solid revenue results

Another factor that contributed to LSPD's gains in 2020 was solid quarterly reports that showed strong revenue gains. In the first quarter, revenue was up 51%; [in the second, it was up 62%](#). These were both solid growth figures. Many people expected Lightspeed's growth to slow down in 2020, because retail businesses were shut down due to the pandemic. That was a reasonable expectation, but it turned out that Lightspeed managed to save the situation by helping its vendors with the transition to online sales. In the second quarter, [e-commerce volumes increased by 80%](#), helping to take overall revenue higher. That was an unexpected result that investors may have taken favourably. However,

LSPD missed on earnings in both the first and second quarters, so 2020 was a mixed year for the company performance-wise.

Foolish takeaway

Since going public in 2019, Lightspeed has handily beaten the market. Its stock had risen 354% since its IPO as of this writing, making it one of the most successful tech stocks of 2019 and 2020.

The question now is whether the company can keep up the momentum.

As we saw in 2020, Lightspeed's revenue is not only growing, but accelerating. When the company went public, its revenue growth was only 36% year over year. Now it's at 62%. That kind of growth is exactly the kind of thing tech investors look for, so we may yet see more gains for Lightspeed.

LSPD is often compared to **Shopify**, another TSX tech stock that has been beating the market in recent years. While LSPD's growth and profitability don't quite match SHOP's, its sales figures are respectable in their own right. Overall, this remains a stock worth watching in 2021.

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