



Lightspeed POS (TSX:LSPD) CEO Sees Growth in the Post-COVID Economy

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) was one of the best-performing stocks of 2020. If you'd invested \$1,000 in the stock in early April 2020, you earned more than \$4,300 in fewer than 12 months. While 2020 was the year of the pandemic, 2021 is the year of recovery. Investors want to know how the company will perform in the post-COVID economy. In an interview with Motley Fool Canada, Lightspeed CEO Dax Dasilva shared insights on the challenges and opportunities of the post-COVID economy and his plans to boost revenue in 2021.

Lightspeed growth strategy

Lightspeed POS is a cloud-based point-of-sale (POS) platform that helps small- and mid-sized retailers and restaurants manage everything from orders to inventory. It earns revenue in two ways:

- It gets a subscription fee when retailers and restaurants subscribe to its platform.
- It gets a commission on the transactions happening on its platform, which it measures as gross transaction volume (GTV).

To grow its revenue, the company acquires new customers. The acquisition of new customers is expensive, and because of that, many high-growth tech companies operate at losses. Hence, Lightspeed cross-sells more products to existing customers to increase the average revenue per user (ARPU). This is called the land-and-expand model; it helps the company retain customers, increase ARPU, and reduce cost.

Lightspeed has adopted a three-pronged growth strategy:

- Geographical outreach
- Expansion in new verticals
- Adoption of new technology and solutions

The company is growing organically and through acquisitions. The pandemic encouraged Lightspeed to accelerate its technology innovations and bring solutions like Order Ahead, Lightspeed

Subscriptions, and eCommerce for restaurants. These innovations helped it achieve 58% organic revenue growth in calendar 2020.

In the post-COVID economy, Lightspeed is looking to move ahead with its three-pronged approach.

Lightspeed's growth potential in the post-COVID economy

On the solutions front, Lightspeed is focused on integrating and promoting Lightspeed Payments. It is also looking to integrate and promote Lightspeed Capital. In the long term, the company plans to monetize its latest innovation, Supplier Network, by adding Lightspeed Payments and Capital.

The company is expanding its geographic outreach through acquisitions. Last year, it acquired Gastrofix to expand in the German restaurant POS market. Recently, it acquired ShopKeep and Upserve to tap the U.S. hospitality and retail POS market.

Lightspeed is in ongoing acquisition talks with cloud-based POS companies that are in sync with its business model. As and when these talks materialize, the company will pursue more acquisitions using its \$230 million cash reserve. Lightspeed will integrate its platform in the acquired companies. It aims to become a global POS platform for retail and hospitality.

Moving into the post-COVID economy, Dax Dasilva stated that Lightspeed is becoming the platform of choice for retailers and restaurants, which are moving away from legacy software to omnichannel solutions.

Investor takeaway

Global Market Insights [estimates](#) the cloud POS market to grow at a compounded annual rate of over 27% from 2020 to 2026. Lightspeed has the technology and the means to tap this growth. It also has the potential to gain market share by acquiring its competitors. Every acquisition will boost its stock price.

However, Lightspeed still faces a high churn rate that is increasing its losses. The company is improving its platform to make its solutions sticky. When retailers and restaurants benefit from higher sales, Lightspeed will benefit from higher GTV. The company also faces strong competition from other high-growth companies like **Square**.

Despite these challenges, Lightspeed stock surged [more than 400%](#) in the last two years. It has the potential to double in the coming years as the cloud POS market grows. Lightspeed stock can give you exposure to the future of commerce for less than \$100. It is a stock that can enhance your Tax-Free Savings Account portfolio.

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