



LSPD Stock: Should You Invest in Lightspeed POS Right Now?

Description

Growth stocks will always remain a popular choice for investors. These companies are able to increase their revenue at a fast clip allowing stocks to beat the broader market by a huge margin. Yes, several growth stocks in the technology sector are still unprofitable and are subject to wild swings. However, they also present investors with an opportunity to generate exponential gains.

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is one such company that went public in March 2019. In less than two years, the stock has surged close to 400%. Let's see if you should buy this high-flying tech stock right now.

Lightspeed POS — an overview

Lightspeed POS provides software, solutions, and support systems to small and medium retailers as well as restaurants. It has [a cloud-based platform](#) that helps SMBs sell across different channels, manage operations, increase customer engagement as well as accept payments.

In fiscal 2020, the company's gross transaction volume (GTV) surged to \$22.3 billion, up from \$14.5 billion in 2019 and just \$7.1 billion in 2017. Comparatively, its revenue has grown at a compound annual growth rate of 41% from \$42.6 million in 2017 to \$120.6 million in 2021.

LSPD has a positive net dollar retention rate, indicating that it benefits from high customer engagement. The average GTV per customer in 2020 stood at \$600,000 and no single customer contributes to over 1% of total sales.

The company is well diversified and around 50% of its client base is located outside North America. Lightspeed primarily generates revenue from the sale of its cloud-based software subscription licenses as well as other recurring revenue sources that include payments solutions.

In the last quarter of fiscal 2019, LSPD launched Lightspeed Payments which is the company's in-house payment processing solution. The company confirmed, "Lightspeed Payments, our payment processing solution, was rolled out in early 2019. This solution is fully-integrated with our platform and

majorly enhanced our product offering.”

It added, “Lightspeed Payments enables us to monetize a greater portion of customer GTV passing through our platform, creating a significant revenue growth opportunity.”

LSPD stock is trading at a premium

We can see why Lightspeed stock has outpaced broader market gains since its Initial Public Offering (IPO) two years ago. However, this stellar performance has also meant LSPD is now trading at a premium. Lightspeed is valued at a market cap of \$10.35 billion, indicating a forward price to sales multiple of 39.2.

This steep valuation is supported by robust growth. Analysts [forecast LSPD sales to rise](#) by 73.7% to \$209.6 million in fiscal 2021 and by 72% to \$361 million in fiscal 2022. Though Lightspeed is reporting an adjusted loss, analysts expect loss per share to narrow from \$0.62 per share in 2020 to \$0.59 in 2022.

LSPD is a stock that should be on the radar of Canadian growth investors, given its expanding addressable market, widening portfolio of products, loyal customer base, robust sales growth, and growth opportunity in the payments vertical.

Analysts tracking Lightspeed stock have a 12-month average target price of \$85 which is 5% above its current trading price of \$80.5.

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