



Why Did Lightspeed Stock Rise 13% on Thursday?

Description

After a strong 149% rally during the past year, **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)) stock had taken a breather so far in 2021. Investor themes changed, as economies began to open up and tech stocks generally went out of favour. However, LSPD stock rallied by 12.88% in early trading on Thursday, as investors reacted to a positive earnings surprise.

Investors think this could be the best time to load up on LSPD stock after its 22% decline early in the year — more so after the company beat analyst estimates in its latest earnings report for fiscal 2021, which ended on March 31 this year.

Lightspeed offers a comprehensive cloud-based software suite to retailers and restaurants that includes point-of-sale (POS) systems, a payment-processing system, e-commerce capabilities, and integrations with supplier networks that competitors will struggle to beat.

The company's prowess is revealed in its sustained organic growth over the past year, even as retailers and restaurants struggled to survive COVID-19 pandemic restrictions globally. Lightspeed's latest financial results could have rekindled investor interest in its spectacular growth story.

Lightspeed stock rebounds after massive revenue beat

Lightspeed's quarterly revenue by March 2021 reached a staggering US\$82.4 million. This was a strong growth of 127% year over year. Analysts expected the company to report US\$69.4 million in revenue for the quarter.

In other words, Lightspeed POS generated 18.7% more revenue than the market expected during the first three months of 2021. This was a wide market beat by any standards.

Moreover, the company had previously guided for quarterly revenue of US\$68-70 million for the quarter. Its management feared that prolonged lockdowns in its key markets in North America and Europe could increase customer churn, negatively impact gross transaction volumes (GTV), and cause a delay in purchase decisions or increase service suspension requests.

Instead, the company saw its customer locations grow organically from 114,000 in December to over 119,000 by the end of March this year (LSPD now has over 140,000 customers after the recent acquisition of Vend.). GTV expanded to US\$10.8 billion, up from US\$9.1 billion by December last year. Resultantly, the company saw its transaction-related revenue hit new records during the quarter.

Improving profitability?

Lightspeed's revenue for the year was US\$221.7 million, up 84% year over year.

The company's annual adjusted earnings before interest, taxes, and depreciation (adjusted EBITDA) was a loss of US\$21.2 million, or 9.6% of revenue. This was a better loss as compared to a comparable US\$21.7 million in fiscal 2020, which was 18% of annual revenue. The company expects the loss to reduce to 7% of revenue in fiscal 2022 on revenue of US\$430-450 million.

LSPD's net loss for the year was US\$124 million. The company reported a net loss of US\$42 million, or US\$0.34 per share, for the fourth quarter. Analysts expected a loss per share of US\$0.31. It missed on the bottom-line number.

Investor takeaway

Lightspeed stock is enjoying a well-deserved rally today. The company is growing in the right places, its recurring revenue is rising organically, and the average revenue per customer has grown by 48% over 12 months.

LSPD's acquisitions-led growth strategy seems working well for now, and the company had over US\$807 million in unrestricted cash available to pounce on another target this year. The [stock is a must-hold for long-term investors](#). It could more than double over the next five years, more so as it begins to show improving profitability metrics at higher operating levels.

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