



What Is Lightspeed POS's (TSX:LSPD) Fiscal 2022 Growth Potential?

Description

Fiscal 2021 was a transformative year for **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), as the pandemic made its omnichannel platform a necessity for both retailers and restaurants. After falling to an all-time low in March 2020, the stock surged a whopping 650% last year. Fiscal 2022 presents a new set of opportunities like recovery in the hospitality sector and Lightspeed Payments.

Lightspeed's fiscal 2022 growth potential

Lightspeed expects its revenue-growth rate to accelerate from 84% in fiscal 2021 to 100% in fiscal 2022, excluding new acquisitions. It is in ongoing talks with many companies, and as negotiations progress, you could hear about more mergers and acquisitions (M&As). And rest assured; it has a sufficient cash reserve of US\$807 million to fund larger M&As.

The pandemic has changed the way Lightspeed works, its product offerings, and customer acceptance of its platform. In fiscal 2021, the company hit some milestones:

- It undertook three major [acquisitions](#) of ShopKeep, Upserve, and Vend, which more than doubled its size.
- It expanded its presence in the U.S. markets and listed on the New York Stock Exchange.
- The company accelerated innovation and introduced Lightspeed Capital, curbside pickup, e-commerce for restaurant, and Order Ahead services.
- It launched two strategic initiatives: Supplier Network and a global partnership with Google.

All the above milestones will accelerate Lightspeed's revenue-growth rate, pandemic or no pandemic. This has eased fears of a normalizing growth rate post-pandemic. Let's see how it plans to leverage these milestones to drive growth.

Lightspeed's strategic initiatives

The Supplier Network and Google [partnerships](#) are strategic initiatives, as they do not directly contribute to Lightspeed's revenue. However, these initiatives will go a long way in enhancing its revenue indirectly.

The integration of Google tools on the Lightspeed platform will help merchants

- Display live inventory levels on Google search results;
- Improve the discovery of their store locations; and
- Manage ad spend.

Lightspeed aims to facilitate small- and medium-sized merchants with technology that can help them compete with large online marketplaces. Merchants have realized that they need to provide customers with more buying options — in-store, online, or curbside pickup — to stay afloat. And Google tools will help them enhance their sales. Higher sales by merchants will convert to higher transaction-based revenue for Lightspeed.

The second initiative of Supplier Network will help merchants upload high-quality images and detailed product description directly from suppliers. This will help Lightspeed tap merchants of the same supplier, and merchants will benefit from better branding of their products.

Lightspeed's M&A synergies

The strategic initiatives will help merchants improve sales and Lightspeed increase gross transaction volume. M&A synergies will bring direct revenue growth. Lightspeed aims to become the global commerce platform for restaurants and retailers. It is consolidating the fragmented market through M&As to become a market leader.

Lightspeed's acquisition of ShopKeep and Upserve created a larger company. The two acquired companies have high payment penetration within their customer base. But their terms with the payment provider were not as favourable as that of Lightspeed. Lightspeed leveraged its scale to renegotiate favourable terms, which brought in additional revenue of around US\$7.4 million in the fourth quarter of fiscal 2021.

Lightspeed is now enjoying the benefits of scale. It is gradually becoming a recognized brand that is driving traffic to its site. When you don't go to potential customers, but potential customers come to you or, in this case, your website, that spells growth.

In the land-and-expand strategy of software-as-a-service companies, the customer acquisition cost is the highest in the early growth stages. But it reduces once the company becomes a brand. Think of it like this: **Amazon** doesn't have to worry about merchant acquisition costs. It gets customers based on its brand and the outcome it offers them.

Lightspeed is walking on that path. It managed to keep its customer acquisition costs relatively flat, which could prove to be beneficial for profitability in fiscal 2022 and beyond.

Final thoughts

Lightspeed is in the right place at the right time. It has all the tools to become the next **Shopify** or Amazon. Don't miss this growth.

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