This 1 TSX Tech Stock Could Skyrocket This Summer and Beyond

Description

Canadian stocks continue to post record highs in 2021. Rising consumer confidence and improving jobs data amid the reopening economy are boosting investors' sentiments. While many stocks from several industries, including energy and financial services, have outperformed the broader market this year, some high-flying tech stocks been mixed.

Let's take a closer look at one such tech stock — **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) — that hasn't seen much appreciation this year, despite its strong fundamentals. I think it could be the best **TSX** tech stock to bet on today.

Lightspeed POS stock

The shares of Lightspeed POS have yielded solid 190% returns in the last year. Its stock rose by 150% in 2020 alone, as the company continued to report strong sales growth, despite several challenges during the pandemic phase.

However, its stock traded on a slightly negative note in the first five months of 2021 — underperforming the broader market by a wide margin. LSPD stock was trading with 2.3% year-to-date losses at the end of May against more than 13% gains in the TSX Composite Index.

Solid fundamentals and outlook

In the fiscal year ended in March 2021, Lightspeed reported an 84% YoY (year-over-year) jump in its total revenue to US$222 million — also stronger than Bay Street analysts' estimates. More importantly, its recurring subscription and transaction-based revenue made up most of its total revenue as it stood at US$202 million — up 89% YoY. Its EBITDA losses were about 9.6% of its total revenue during the fiscal year — much lower than 18% of its revenue a year ago.

Lightspeed's overall business showed robust growth in March 2021 after facing challenging conditions in January and February. An economic reopening is likely to drive the demand for its products higher and help the company benefit from increased scale. That's one reason why Lightspeed has guided its fiscal 2022 sales to be in the range of US$430 to US$450 million. This range reflects solid 94-104% revenue gains over the previous fiscal year. Similarly, the company expects its adjusted EBITDA losses to be around only 7% in fiscal 2022 compared to 9.6% in fiscal 2021.

Flat customer-acquisition costs

In the last couple of years, Lightspeed's top line has significantly improved with the rising popularity of its products among small- and medium-sized businesses. This is helping the company achieve scale and helping limit customer acquisition costs.

While commenting on it in May, Lightspeed's founder and CEO Dax DaSilva said, "in an industry where customer acquisition costs are increasing, we are happy to see our costs remain relatively flat." He pointed towards the company's increasing scale and brand recognition in the United States as two key reasons for it. It's important to note that Lightspeed made up nearly 64% of its total revenue from the U.S. market in its fiscal year 2021.

Why could LSPD stock surge now?

Despite all the positive factors that I've mentioned above, Lightspeed stock is still trading with only 20.6% year-to-date gains compared to a 16.3% rise in the TSX Composite benchmark. After remaining largely silent in the first few months of the year, some fundamentally strong tech stocks, including Lightspeed and **Shopify**, started rallying in June. LSPD stock rose by 18.3% in June, while its home market peer Shopify inched up by 22.5%. Many experts predict Shopify's sales growth rate to decline in the coming quarters. Bears use this argument to justify why SHOP stock hasn't rallied much this year so far.

Nonetheless, Lightspeed's sales growth rate is likely to exponentially improve in the coming quarters. That's why its stock could fundamentally be a much better option in the Canadian tech industry to bet on right now.

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Date
2025/07/27
Date Created
2021/07/06
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