



Lightspeed vs. Square: Which Fintech Stock Should You Buy Now?

Description

One of the most exciting verticals is the fintech space right now. Companies that are part of this industry have crushed the broader markets in terms of cumulative returns. The shift towards digital payment solutions has accelerated amid the pandemic, making [growth stocks](#) such as **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Square** (NYSE:SQ) solid bets today.

Lightspeed surpasses analyst estimates

One of the fastest-growing companies in Canada, Lightspeed POS has returned 484% since its IPO in early 2019. In 2021, LSPD stock has gained 23% and is currently trading near all-time highs.

In the fiscal fourth quarter of 2021 (ended in March), Lightspeed sales rose 127% year over year to US\$82.4 million while its adjusted loss per share stood at US\$0.09. Wall Street forecast the company to report a loss of US\$0.10 per share.

Lightspeed's subscription and transaction-based sales were up 137% while average revenue per user soared 48% in fiscal 2021. In the first quarter of 2022, LSPD sales stood between US\$90 million and US\$94 million, indicating a year-over-year growth of 154%.

Lightspeed continues to expand its suite of solutions and is part of a rapidly expanding market. On average, customers increased spending by 20% on the LSPD platform, indicating strong loyalty and net dollar retention rates. Its customer base stands at over 140,000, allowing Lightspeed to generate US\$10.8 billion in gross transaction value in the quarter.

Square stock is up 2,450% in the last five years

Square stock has been on an absolute tear and has gained close to 2,500% in the last five years. In 2021, Square has gained 20% on the back of its stellar quarterly results where sales rose 266% year over year in Q1. However, 87% of top-line growth can be attributed to Bitcoin-related trading sales.

Bitcoin prices were touching all-time highs in March and have since corrected significantly, so this growth might be misleading. For example, in the March quarter, Bitcoin trading sales were up 1,047% and accounted for 70% of total sales, up from 22% in Q1 of 2020. Comparatively, Bitcoin-related sales accounted for 8% of total gross profit, and it will be a key product for Square to drive customer acquisition and engagement.

Its core business also continued to gain traction as transaction-based revenue rose 27% in Q1 of 2021. These sales are majorly associated with retailers and should experience a strong rebound in the next three quarters, once the economy reopens completely.

The company's subscription and services revenue which is derived from the Cash App rose 88%, while hardware sales grew 39% year over year in Q1.

Square sales more than doubled to \$9.5 billion in 2020, up from \$4.71 billion in 2019. Its sales are forecast to touch \$20 billion in 2021 and rise by 14% to \$22.8 billion in 2022. Similar to LSPD, even Square continues to expand its suite of solutions and recently [launched peer-to-peer payments](#) for Bitcoin within the Cash App.

The verdict

Both Lightspeed and Square are great long-term picks for investors. However, Square's larger size and lower valuation make it a slightly better stock to buy and hold right now.

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Date

2025/08/18

Date Created

2021/07/27

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