



Is Lightspeed POS (TSX:LSPD) a Buy Ahead of Its 1st-Quarter Earnings?

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) is one of the top-performing Canadian stocks over the last 16 months, with its stock price rising by over 915% from its March lows. Its strong performance amid increased demand due to the secular shift toward the omnichannel selling model and increased adoption of online shopping has driven its stock price.

Meanwhile, the company will [report](#) its first-quarter earnings of fiscal 2022, which ended on June 30, on August 5, before the market opens. So, should you buy the stock before its earnings? First, let's look at its performance in the previous quarter.

Lightspeed POS's fourth-quarter performance

Lightspeed POS had outperformed analysts' revenue expectations three times in the last four quarters. Its revenue in the fourth quarter came in at US\$82.4 million, beating analysts' expectations by a considerable margin. Meanwhile, year over year, its revenue grew 127% due to organic growth, its acquisition of Upserve and ShopKeep, and renegotiation of the terms with its payments partners.

The company's customer locations grew by 56% to 119,000, while its average revenue per user increased by 48% to \$215. Its gross transaction value also increased by 76% to US\$10.8 billion amid strong e-commerce growth.

However, its hospitality vertical continued to face challenges amid the pandemic-infused restrictions. Along with its top-line growth, the company's adjusted losses as a percentage of total revenue improved from 17% to 11.7%, which is encouraging. Now, let's look at its first-quarter expectations and long-term growth prospects.

Lightspeed POS's growth prospects

Lightspeed POS acquired Vend in the first quarter and completed the acquisition of NuORDER subsequently. These acquisitions have increased its customer base and have positioned Lightspeed

POS as a global distribution network for leading brands.

Further, it has integrated Google tools into its platforms. The integration could aid omnichannel retailers in providing a seamless customer experience for online and physical shopping. So, I am bullish on its first-quarter performance.

Meanwhile, Lightspeed POS's management expects its first-quarter revenue to come between US\$90 and US\$94 million, while its adjusted EBITDA losses could be at US\$10 million. Meanwhile, analysts are projecting the company's revenue to grow 156% year over year to US\$92.78. However, its adjusted EBITDA losses could increase from US\$2.2 million to US\$9.97 million.

The management has set an optimistic fiscal 2022 guidance. Its revenue could grow between 94% and 103%, while its adjusted EBITDA losses as a percentage of revenue could improve from 9.56% to 6.98%.

With many small- and medium-scale businesses looking to increase their digital presence amid the rising adoption of online shopping, the demand for Lightspeed POS's products and services could sustain.

Further, the company's aggressive acquisition strategy and development of innovative products could expand its customer base, increase its geographical footprint, and strengthen its market share in specific markets. So, the long-term growth prospects for Lightspeed POS look healthy.

Bottom line

Despite a strong surge in its stock price, I believe there is more upside to Lightspeed POS's stock price. With Shopify posting a [solid performance last week](#), I expect Lightspeed POS to follow suit. Meanwhile, analysts are also bullish on Lightspeed POS, with 13 of the 16 analysts covering the stock issuing a "buy" rating.

Analysts' consensus price target stands at \$113.11, representing an upside potential of 5.9%. So, the company would be an excellent buy ahead of its first-quarter earnings.

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Author

rnanjapla

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