



Is LSPD the Tech Stock You Need to Add to Your Portfolio?

Description

Lightspeed ([TSX:LSPD](#))([NYSE:LSPD](#)) is one of the [fastest-growing companies](#) on the TSX. LSPD stock went public in March 2019 and has since returned a staggering 718% to investors, easily dwarfing broader market gains.

While its past returns have been more than impressive, let's see if LSPD stock should be part of your portfolio right now.

An overview of Lightspeed

Lightspeed provides small and medium enterprises with a commerce-enabling SaaS (software-as-a-service) platform. Its base of customers is primarily midsize retailers, restaurants, as well as golf operators in Canada, the U.S., Germany, Australia, and many other international markets. LSPD's SaaS platform allows SMEs to engage with customers as well as accept payments and manage operations.

In the last 12 months, Lightspeed has generated \$301 million in sales, while its gross transaction value, or GTV, stood at US\$44 billion. The GTV is basically the amount of money that has been spent on the Lightspeed platform.

Lightspeed confirmed that the average GTV spending per customer is over US\$600,000, and its solutions are now available at more than 150,000 locations in over 100 countries. LSPD's GTV has grown from US\$14.5 billion in fiscal 2019 to US\$33.7 billion in fiscal 2021, indicating an annual growth rate of 52%. This has allowed the company to increase sales by 69% annually from US\$77.5 million to US\$221.7 million in this period.

LSPD grows via acquisitions

These stellar growth rates are due to [Lightspeed's aggressive acquisition plans](#). Since its IPO, LSPD has acquired eight companies that have allowed it to sustain its revenue growth. In 2021, it acquired

NuOrder for US\$450 million, Ecwid for US\$500 million, and Vend for US\$350 million.

In the fiscal first quarter of 2022 that ended in June, Lightspeed sales stood at US\$115.9 million — an increase of 220% year over year. Its subscription sales more than doubled to US\$49.9 million while transaction revenue was up 453% at US\$56.5 million.

As Lightspeed continues to sacrifice profitability for growth, it reported a net loss of US\$49.3 million in Q1, wider than its loss of US\$20.1 million in the year-ago period. Its adjusted EBITDA loss stood at US\$6 million accounting for 5.2% of sales compared to 6.1% of sales in Q1 of fiscal 2021.

Analysts tracking LSPD stock expect the company to increase sales by 138% to US\$527 million in 2022 and by 33% to US\$700 million in 2023. This will allow Lightspeed to narrow its adjusted losses from US\$1.16 per share in 2020 to US\$0.11 per share in 2022.

Is LSPD stock overvalued?

Given Lightspeed's market cap of \$22.3 billion, LSPD stock is valued at a forward price-to-sales multiple of 34, making it one of the most expensive growth stocks on the TSX. While Lightspeed remains vulnerable in a broader market selloff or if equity markets enter the bear market territory, Lightspeed's robust revenue growth, improving bottom line and a shift in sales mix make it a solid long-term bet.

The company has claimed it has a clear path towards sustained profitability, and it will continue to gain market share, as businesses move towards cloud-based solutions.

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