



Lightspeed (TSX:LSPD): Huge Growth Could Continue

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) has been one of the biggest success stories to come out of the TSX in recent years. Up 520% since its 2019 IPO, it has soundly beaten the market. If you'd invested \$1,000 in LSPD stock at its IPO date, you'd have a \$6,200 position today.

Those are incredible results.

The question is whether they can last. History is replete with stories of companies that grew fast for a while before finally running out of steam. You can never be sure just based on history that a stock will continue to rise in the future. However, there is a good chance that Lightspeed will indeed keep rising. In this article, I will explore some of the main reasons why.

Why Lightspeed will keep on growing

There are several reasons why Lightspeed POS can continue growing in the future. The first is projected growth in its industries.

Lightspeed operates in two main industries:

- POS software
- e-commerce

Both of these industries have high expected growth. e-commerce is expected to grow at 22.9% CAGR to 2027 (according to Research and Markets), and POS software is expected to grow at 11.1%. These are both solid growth rates for entire industries. If these targets are hit, then LSPD will have plenty of room to grow in the future.

A second reason relates to acquisitions. Lightspeed has been [juicing its growth](#) by buying out competitors recently. In the past 12 months alone, it has acquired nuOrder, Ecwid, and Vend. These are all pretty valuable companies that add much to LSPD's own business. The Ecwid acquisition in particular will help LSPD build itself up in e-commerce, and all of these acquisitions are contributing to

its revenue growth. On the flip side, however, they may or may not actually help with profits, which I'll explore in the next section.

Why profit might not catch up

Although Lightspeed is quite likely to continue growing its revenue at sky-high rates over the next year, it's probable that profit will not be coming anytime soon.

There are several reasons for this.

First, Lightspeed was [not profitable in its most recent quarter](#), and, in fact, the size of its loss actually increased. Adjusted earnings got smaller as a percentage of revenue, but the loss grew in absolute terms.

Second, acquisitions can be a double-edged sword. They usually tend to boost revenue, but if the acquiring company isn't profitable, then it won't contribute profits to the acquirer.

Third and finally, Lightspeed is still investing heavily in growth. Companies fresh out from their IPOs usually invest large amounts of money in growth and acquisitions. This can pay off in the long run, but it prevents profitability early on. Without spending hundreds of millions on research and developments on other initiatives, LSPD might have already been profitable in its most recent quarter. That's the cost of growth. It can take you to new heights, but it usually puts off profitability for younger companies.

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andrewbutton

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