



2 Things to Look for in Lightspeed's (TSX:LSPD) Earnings Report This Week

Description

Tech company **Lightspeed** ([TSX:LSPD](#)) is set to release its fiscal 2021 first-quarter earnings this Thursday, August 6. The results will be presented before the market's opening bell.

What was once known primarily as a point-of-sale (POS) hardware provider, Lightspeed has done an [incredible job expanding its product offering](#). The company now offers clients support for employee management, accounting, loyalty program management, and digital marketing, to name a few.

Year to date, the stock is trading relatively flat. The company followed the broader Canadian market and saw its stock price plummet from February to the end of March. Since that March 23 low, though, the stock is up more than 150%.

Lightspeed has followed a similar growth path as the American company, **Square**. Square was also known mainly for offering POS hardware but has since grown its ecosystem of product offerings into a \$50 billion market cap company.

Montreal-based Lightspeed may only be valued at roughly \$3 billion today, but has lots of wind behind its sails. Here are two topics that I'll be keeping my eye on when the company reports its Q1 earnings later this week.

Revenue growth

The COVID-19 virus will understandably have a significant impact on the company's revenue, but I'll still be taking a close looking to see what the quarterly and year-over-year revenue growth look like.

The company averaged close to 15% quarterly growth through each of the quarters in its 2020 fiscal year. From 2019 Q4 to 2020 Q1, revenue grew by 13%, and I'm expecting the company to see a significant acceleration this year when comparing 2020 Q4 revenue to 2021 Q1.

Quarterly growth may have averaged about 15% in 2020, but year-over-year Q4 growth was 70%. The COVID-19 virus may hold back the company from attaining 70% growth in 2021 Q1 year over year, but I would still like to see this growth above 50%.

For the past three quarters, Lightspeed has seen a minimum of 50% quarterly growth year over year, accelerating in each of those three quarters.

Trading at a price-to-sales of 25, Lightspeed is by no means a cheap stock at today's valuation. Investors are banking on the fact that this company is going to continue to grow for many more years, which is why the revenue growth is definitely something I'll be keeping a close eye on.

Lightspeed e-commerce

Lightspeed has [boldly entered the e-commerce ring](#) to take on tech giant, **Shopify**. It may be a while before Lightspeed is competing with Shopify on a similar level in terms of scale, but as a Lightspeed shareholder, this type of product expansion is a major reason why I'm so bullish on the company's growth prospects.

Management reported in the most recent earnings call that they had seen a record adoption of Lightspeed e-commerce customers in March. A major reason for that was due to the company's proactiveness to help retailers that had been forced to close its physical stores during the pandemic.

In response to the government-mandated social distancing, Lightspeed offered new customers a free three-month subscription for e-commerce software solutions. The objective of the promotion was to help retail customers quickly design a website to match its brick-and-mortar retail locations.

As many of those three-month subscriptions are now ending, I'll be very curious about what management has to say about the overall adoption rates of the e-commerce platform.

While the e-commerce industry may be dominated today by Shopify, there's no reason why Lightspeed can't continue to rapidly grow its market share in the industry.

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