



2 Takeaways From Lightspeed's (TSX:LSPD) Earnings Report This Week

Description

The payments company **Lightspeed** ([TSX:LSPD](#)) presented its first-quarter 2021 financial results before the market's open last Thursday, August 6.

Even with the expected negative impacts from the COVID-19 pandemic, expectations for Lightspeed were very high after seeing other tech payment companies present strong quarterly numbers.

How high was the bar set?

American company **Square** saw its stock price surge after the company presented its earnings on August 5. The payments company posted a 64% growth in revenue year over year. [Lightspeed is often compared to Square](#), as each company was at one point primarily a point-of-sale hardware provider. But over the past several years, both companies have innovated their product offerings. They now offer a robust cloud-based omnichannel platform for both online and brick-and-mortar retailers.

Canadian tech company **Shopify** presented earnings July 29. The tech company is not necessarily a direct competitor to Lightspeed, but the two compete in several overlapping product categories. Shopify posted an extremely impressive year-over-year revenue growth of 97%, which raised the bar even higher for Lightspeed.

In [my earnings preview earlier this week](#), I'd covered two topics that I'd be keeping a close eye on in the quarterly report. With the stock trading down about 2% on the day, let's take a deeper look at two key takeaways from the company's quarterly performance.

Revenue growth

A major callout I made in my earnings preview was the company's revenue growth. Lightspeed has been growing at a rapid pace since joining the public market a year and a half ago. And at its valuation today, the growth rate is not expected to slow down anytime soon.

In the company's five publicly reported quarters prior to 2021 Q1, Lightspeed averaged quarterly revenue growth just under 15%. In the recently reported quarter, Lightspeed reported 36.2 million in

sales, which was just about the same amount the company drove in 2020 Q4. For year-over-year revenue growth, the company saw 70% growth in 2020 Q4 but just 50% in 2021 Q1.

The deceleration in yearly growth and flat quarterly sales are likely why the stock is not flying today. Growth may have slowed this quarter, but management is still very confident in the long-term vision for the company.

Lightspeed Capital

A day before Lightspeed reported its earnings, the company released a statement announcing the initial availability of Lightspeed Capital in the United States. The company went into more detail in the quarterly earnings presentation.

The new product is powered by the privately held payments company Stripe. The aim is to provide U.S. businesses with financing up to US\$50,000 per retail location, which can be used to grow the business through inventory management, marketing, or cash flow management.

Lightspeed management went on to explain in the earnings report how the partnership with Stripe will be leveraged. In an effort to keep Lightspeed's balance sheet in a strong position, Stripe will provide Lightspeed with additional capacity for capital.

Foolish takeaway

Revenue growth may have slowed for Lightspeed, but I'm actually surprised there wasn't more of a negative reaction in the market. It looks like investors are rightfully giving the company a pass due to the pandemic.

Trading at price/sales ratio of 20, this growth stock is by no means cheap. But with the long-term strategy still largely intact, I continue to be very bullish for the long term on this company.

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