



Lightspeed (TSX:LSPD) Earnings Preview: Here's What to Watch

Description

Tech company **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), is set to report its 2021 third-quarter earnings this week. Results will be released before the market opens on Thursday, February 4.

Lightspeed joined the **TSX** in March 2019. This week's quarterly report will be the eighth since becoming a public company. Over that time span, shares have risen more than 300%.

How is Lightspeed handling the pandemic?

While Lightspeed was initially hit hard by the COVID-19 market crash, shares have rebounded incredibly well. The tech stock lost more than 70% of its value in less than two months in early 2020. Small- to medium-sized brick and mortar businesses are a core customer for Lightspeed, which partially explained the steep sell-off.

Investors who managed to pick up shares at the bottom of that crash have been rewarded handsomely. After dropping more than 70%, shares are now up close to 600% since the last week of March.

Lightspeed management has been on the offensive throughout this pandemic. The company has continued to make strategic acquisitions across the globe to expand its global market position. It also continues to reinvest aggressively into the business to keep product innovation firing on all cylinders.

As a Lightspeed shareholder, I'm thrilled with how management has handled these unprecedented market conditions.

With management set to report earnings this week, there's one key metric that investors will be watching closely.

Revenue growth

The metric that most investors — yours truly included — will have their eye on this Thursday is revenue growth.

Lightspeed shares are priced to see revenue growth be above the 50% mark for many more quarters. Shares are trading at a price-to-sales ratio of almost 70 today. A miss or beat on the revenue growth will likely have the largest impact on short-term movements for the stock.

Rising revenue growth is what all growth investors are chasing. Lightspeed managed to post an increase in year-over-year (YoY) quarterly revenue growth in its first five quarters as a public company. Then COVID-19 hit.

In the company's fiscal 2021 Q1, which runs from April to June, revenue growth slowed from 70% to 50%. The pandemic was understandably the main driver for that decrease. But Lightspeed rebounded in 2021 Q2 with its highest revenue-generating quarter to date, which also saw YoY quarterly revenue rise above 60%.

Lightspeed's upcoming report will include numbers from October to December. With both Black Friday and holiday shopping occurring in the quarter, analysts are expecting revenue to come in at \$53 million, which would represent a 64% increase in YoY revenue growth.

Foolish takeaway

Lightspeed's product innovation and global expansion are two other areas that I'll be watching closely, but revenue growth remains the most important metric. Revenue expectations are extremely high, which is why the company is so richly valued.

On February 4, if we see a strong revenue beat, I'd expect a positive reaction in the market. On the other hand, if revenue misses, investors may need to brace for a temporary pullback. Even a slight miss could send the share price spiralling.

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Date

2025/08/25

Date Created

2021/02/02

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