



Is it Time to Buy Lightspeed (TSX:LSPD) After the Recent Pullback?

Description

The tech sell-off witnessed yesterday was one of a kind. The U.S. markets were trading flat. The Dow Jones Industrial Index rose 0.1%, while the S&P 500 ETF was up by a marginal 0.05%. Technology ETFs such as **XLK**, **SMH**, and **SOXX** returned -0.9%, 0.4%, and 0.4%, respectively, yesterday.

The tech sell-off yesterday was led by overvalued stocks. Shares of tech companies trading at a premium were hit hard. Stocks such as **Alteryx**, **CrowdStrike**, **Okta**, **Twilio**, and **The Trade Desk** fell 15.2%, 11.7%, 9.9%, 9.6%, and 8.4%, respectively.

Other expensive stocks such as **CyberArk** and **Roku** also fell 5.7% and 4.8% on September 9, 2019. Overvalued Canadian tech stocks also felt the impact of this sell-off.

Lightspeed fell 8.3% yesterday

Shares of high-growth tech company **Lightspeed POS** ([TSX:LSPD](#)) fell 9.4% yesterday to close trading at \$34.27. The stock is currently trading at 92% above its 52-week low and 30% below its 52-week high of \$49.7. LSPD was publicly listed in March 2019 and has gained 83% since its IPO.

Lightspeed has been tipped as the next **Shopify** for Canadian investors, and for good reason. While the pullback was warranted, Lightspeed remains a solid pick for the long term. I had warned last month that LSPD stock will move lower sooner rather than later and that investors should be ready to buy this stock on the dip.

Though Lightspeed reached an all-time high of \$49.7 on August 12, the stock has now lost almost a third of its value in under a month. Canada's blue-eyed boy Shopify too fell close to 6% yesterday.

Growth metrics remain solid

Analysts expect [LSPD sales to grow by](#) 46.2% to \$113.25 million in fiscal 2020 (ending in March). They expect company sales to rise by 48.3% to \$168 million in 2021. This revenue acceleration should drive

the stock price higher.

LSPD's rapid revenue growth will translate to robust bottom-line growth as well. Analysts expect LSPD to increase earnings by 94.2% in 2020 and 46.9% in 2021. While still unprofitable, the company is estimated to improve net margins from -23.6% in 2020 to -9.7% in 2021 and -1.7% in 2022.

LSPD's EBITDA is estimated to rise from -\$19.4 million in 2020 to -\$8.56 million in 2021 and \$3.12 million in 2022.

The verdict

One way to for momentum investors to trade stocks is to buy shares at major dips. A fall of 30% is considered significant, and investors can look to buy this stock at its current price. LSPD is currently valued at \$3.13 billion, which is 26.5 times 2020 sales.

Comparatively, high-growth stocks such as The Trade Desk, Shopify, Alteryx, and Okta are valued at 15, 27, 21, and 23 times sales, respectively. Yes, LSPD is trading at a premium valuation. But that has always been the case with high-growth tech stocks.

The total addressable market remains huge for Lightspeed. According to a Grand View Research report, point of sale services are estimated to grow at a compound annual growth rate of 7.8% until 2025.

Analysts have a 12-month average target price estimate of \$36.91 for Lightspeed. This indicates the stock has an upside potential of 6.4% from the current price.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/06/30

Date Created

2019/09/10

Author

araghunath

default watermark

default watermark