



1 Hot Canadian Tech Stock to Buy for 2020

Description

As we inch closer to 2020, let's take a look at one company to have solid potential for the next year and beyond. The broader markets are trading close to record highs, despite concerns over high stock valuations and a slowing global economy.

While no one can exactly predict a recession, there is a chance of a pullback in the markets next year. However, as market optimism remains high, I have identified one Canadian growth stock that can increase investor wealth in case investors remain bullish.

Lightspeed stock has been volatile since IPO

Canada's high-growth tech company **Lightspeed POS** ([TSX:LSPD](#)) began publicly trading in March 2019. The stock closed trading at \$18.9 on March 8 and rose to a record high of \$49.7 by August this year. The stock is currently trading at \$33.

LSPD provides [software, solutions, and support systems](#) to small- and medium-sized retailers and restaurants in North America and Europe. Its services include point-of-sales, analytics, inventory management, e-commerce, and customer preference solutions.

Its cloud-based solutions are available in 100 countries and in 57,000 locations around the world. Lightspeed has targeted the retail and restaurant space and forecasts the total market potential at 47 million customers.

The company has a diversified customer base with over 33% of sales origination from outside North America. LSPD's press release states, "We pride ourselves on the fact that our customers have generated an average of more than 20% revenue growth in their first full year on our platform, generating strong loyalty and a positive net dollar retention rate. We will continue to invest in marketing strategies tailored to attract new businesses to our platform."

LSPD has managed to grow total customer locations by an annual rate of 21% between fiscal 2016 and 2019. The global transaction value in fiscal 2019 reached \$14.5 billion, up from \$4.6 billion in 2016

— an annual growth of 47%. LSPD aims to expand customer solutions over time and cross-sell additional modules, which will result in incremental revenue for the firm.

The Lightspeed Payments is its payment processing solution and was introduced in early 2019. This solution has been integrated with the LSPD platform, which has majorly enhanced its product offering. The payment solution will also help the firm monetize a greater portion of customer GTV passing through its platform, creating another opportunity to boost sales.

LSPD stock is trading at a premium

Despite the 30% decline in the company's stock price in the last few months, LSPD continues to trade at a high valuation multiple. Lightspeed has a market cap of \$2.83 billion, which means it is valued at 23.8 times forward sales. The price-to-sales multiple is 30.3, while its price-to-book ratio is 14.5.

However, its high valuation is supported by robust growth metrics. Analysts expect sales to rise by 53.6% to \$119 million in 2020 and 47.3% to \$175.3 million in 2021. Though currently unprofitable, LSPD is forecast to grow earnings by 92.8% in 2020 and 50% in 2021. The company will likely post a positive EBITDA by 2022.

A large addressable market, strong customer retention metrics, multiple growth levers, and high recurring revenue makes Lightspeed a strong bet for long-term investors. The stock will likely underperform the overall market significantly in a sell-off. But that might present an opportunity for investors to buy the stock at a lower price, thereby averaging out their losses.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

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Author

araghunath

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