



Coronavirus Market Crash: Where to Invest \$3,000 Right Now?

Description

The current decline in equity markets might make most investors wary. But a 30% decline also provides an opportunity to buy stocks at cheaper valuations. The stock market could move lower as analysts and investors continue to gauge the impact of the coronavirus pandemic. However, it's impossible to time the markets to know exactly when it bottoms out.

I've therefore identified one tech stock that is trading close to 52-week lows but has significant upside potential once equity markets rebound.

Coronavirus has driven this stock to below IPO levels

The coronavirus pandemic has wreaked havoc as many businesses have taken a hit. Stocks in the airline, restaurant, and retail sectors have fallen significantly in the last month.

One Canadian company with significant exposure to the restaurant industry is **Lightspeed POS** ([TSX:LSPD](#)). LSPD went public on March 9, 2019, at \$16 per share, rising to an all-time high of \$49.7 by August 2019. The stock is currently trading 73% below record highs at \$13.23.

Lightspeed is a provider of software, solutions and support systems to small- and medium-size retailers and restaurants. The company aims to empower these businesses by driving up customer engagement and streamlining operations to generate growth. Its cloud-based platform is available in over 100 countries and is an easily scalable point of sale system.

LSPD has been a top growth stock and experienced a 61% growth in revenue in the fiscal third quarter of 2020. Sales touched \$32 million and were at the higher end of the company's guidance. Close to 90% of revenue consisted of [recurring software and payments](#) sales and this grew by 58% in Q3.

The hospitality sector accounts for 45% of total company locations and international sales generate about 50% of total sales. LSPD shares have been decimated in the last month due to its high exposure to the hospitality segment — a segment that's taken a massive hit in terms of consumer spending.

The last 12 months' gross transaction value (GTV) for LSPD stood at \$20 billion, up from \$12 billion in the prior-year period, indicating a rapidly growing customer base. Lightspeed claimed that its retailer customers in the United States grew GTV more than four times faster than the industry average in the first 10 months of 2019.

LSPD expects payments to be the key driver of revenue going forward. The company continues to focus on improving customer experience to gain traction among SMBs and has managed to enhance reporting capabilities as well as develop a faster checkout experience. These improvements will lead to higher attach rates.

Last month, LSPD announced Lightspeed Payments to Canada's retail customers accounting for 10% of the company's GTV in the last 12-month period. Lightspeed Payments are also available for the company's restaurant customers in the United States.

The verdict

It's difficult to estimate when consumer demand will normalize as the COVID-19 has spread all around the world. Overall spending will remain subdued in the near-term as people will focus on purchasing essential items for the time being.

However, the 70% pullback for a company growing sales at over 55% annually is too good to ignore. Similar to Lightspeed, Canadian investors can also look to buy high growth tech stocks including **Shopify, Constellation Software, CGI Inc.** and **Kinaxis Inc** — companies that have corrected by a huge margin in this bear market.

CATEGORY

1. Coronavirus
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1. TSX:LSPD (Lightspeed Commerce)

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Date

2025/08/25

Date Created

2020/03/20

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