



Lightspeed POS (TSX:LSPD) Just Corrected 12%: Is This Your Shot to Buy?

Description

Lightspeed POS (TSX:LSPD) stock has been white hot over the past few months after recovering a considerable amount of ground lost in the coronavirus crash (shares fell over 70% peak to trough). The stock now sits up 180% from its March lows but remains down 30% its 2019 all-time high.

There's no question that Lightspeed's latest recovery rally seemed like it happened at the speed of light. But now that shares have [slowed down](#) to take a breather, is now a good time to initiate a position in the underrated commerce enabler? Or should you stay on the sidelines over coronavirus-related uncertainties?

Lightspeed POS: A widely misunderstood stock

In the heat of the coronavirus crash, Lightspeed stock imploded on itself, as investors rushed out of names that were exposed to the most vulnerable the coronavirus-induced disruptions. Seeing as a considerable chunk of Lightspeed's client base were among the most hit by the pandemic (think restaurants and small retailers), it made sense to many to ditch the stock and ask questions later.

I urged investors to back up the truck on the stock when shares were oversold, citing that the commerce-enabling tech company had a suite of offerings that would likely see increased demand, as small- and medium-sized businesses (SMBs), looked to gain any advantage they could to improve their odds of surviving the crisis. Lightspeed may not be an e-commerce pure play, but I highlighted that the company was a terrific "on-ramp" into the realm of the digital for tech-unsavvy firms that were forced to gain a digital presence to salvage sales lost to coronavirus-induced shutdowns.

Is Lightspeed POS viewing this coronavirus crisis as a headwind or a tailwind?

I think the answer ultimately depends on how much longer this pandemic is going to drag on. In a prior piece, I'd noted that the crisis was something of a "double-edged sword" for Lightspeed:

"On one side of the sword, SMBs that have seen their sales pressured by the coronavirus pandemic have been rushing to Lightspeed's promising platforms. Many SMBs will discover what they've been missing out on; should they survive this crisis, they'll likely remain Lightspeed customers for life, opening up a huge door of future upselling opportunities ... On the other side, a considerable chunk of Lightspeed's client base is comprised of firms, specifically SMBs, that are sitting at 'ground zero' of this crisis."

Given the confusion as to what effect the COVID-19 pandemic will have on Lightspeed's business, it wasn't too surprising to see the vicious, overextended 70% sell-off when people were panic selling nearly everything, especially names that had prominent sore spots (exposure to areas of the economy that stood to be most affected, such as SMBs and restaurants). When Lightspeed POS clocked in a quarter that saw strength across the board, investors quickly recognized that Mr. Market was wrong to punish Lightspeed stock as [harshly](#) as it did back in February and March.

Moreover, a majority of Lightspeed's client base isn't currently at risk of going under. Its customer base proved to be more resilient than expected, and churn is turning out to be less of a concern, which is a huge relief for pessimistic investors who were expecting the worst. Of course, all this could change if we're back in lockdown mode on a potential second wave of COVID-19 infections.

Foolish takeaway

While there's no telling how badly this pandemic will worsen, I think investors should seek to initiate a position in the name after the latest 12% correction. Lightspeed POS has over \$210 million worth of cash and will likely witness accelerated client adds for the duration of this pandemic.

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Author

joefrenette

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