



Buy the Dip Strategy Pays off: Lightspeed POS (TSX:LSPD) Stock Up 30% in 2 Days

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock surged 30% in two days. All those who bought the stock when it fell below \$70 are now patting their back. I told you in February to put Lightspeed POS and **Shopify** in your watch list as they were in a correction mode. Shopify even fell below the \$1,400 price as I expected and Lightspeed below \$70. Corrections are small dips as short-term investors cash out on profits after the earnings release. This is the right time for long-term value investors to buy the stock.

The bullish case of Lightspeed

Lightspeed CEO Dax Dasilva has been giving away hints of the 2021 growth story through his actions and interviews. Like in an [interview](#) after the fiscal 2021 third-quarter earnings, he told me that the company is in ongoing talks with many companies. It will acquire them as and when the negotiations fall in place. He gave a big hint that Lightspeed has become “the acquirer of choice,” which means negotiations were going pretty well.

This interview followed an equity offering where Lightspeed raised US\$676 million, and it was clear that the company will use this money for 2021 acquisitions. And all these signs and hints materialized last week when it announced plans to acquire retail management software firm Vend.

And more acquisitions are coming in 2021. With every acquisition, the stock will rise because these deals are consolidating Lightspeed's fragmented market of small and mid-size businesses (SMBs) in the retail and hospitality sectors. These acquisitions are increasing the revenue and size of Lightspeed. For instance, last year's ShopKeep and Upserve acquisitions doubled Lightspeed's revenue.

2020 paved the way for Lightspeed's future growth

In 2020, Lightspeed came into the limelight for its perfect V-shaped recovery. After falling 65% to \$12

in March 2020 because of the lockdown, the stock rallied 650% to around \$90. The 2020 pandemic converted Lightspeed technology from a nice-to-have to a need-to-have. Retailers managed to operate in the pandemic through e-commerce, shipping, and curbside pick-up services.

Lightspeed's 2021 growth story

The 2021 growth story will be focused on the restaurant and hospitality sector. This sector suffered severely during the pandemic-induced lockdown. Lightspeed is seeing a recovery in Australia, where the pandemic is under control.

The second aspect of the 2021 growth story is Lightspeed Payments and Lightspeed Capital. The company is pushing its payments service, which will help it earn higher revenue per customer. Finally, the company is eyeing the scaling potential of the Supplier Network [initiative](#) to get retail customers.

The network reaches out to the retailer's suppliers and offers them many benefits on the Lightspeed platform. The suppliers can upload the image and product catalog on the platform. Retailers just have to drag and drop these products on their e-commerce shop. This will remove one major block small retailers face when creating online stores. Even suppliers can maintain brand representation.

Moreover, suppliers can see their overall product inventory in the hands of retailers and get the data on which product is selling in which area. With this, Lightspeed expects to acquire more customers quickly and cost-effectively.

Final thoughts

Lightspeed is a growth stock with strong fundamentals and a conducive business environment. The company is moving on the lines to gain market share and become the global platform used by most retailers and restaurants.

However, its volatility of 3.17 makes it a risky stock as any dips and rallies happen in double digits. When it corrected in February and early March, the stock dipped 33% in two weeks; it has now surged 30% in two days.

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Author

pujatayal

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