



Today's Top Buy: Lightspeed POS

Description

Last month, I asked you to put **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) stock on your watch list as it was in the decline phase. It seems like the stock is done correcting for the seasonally weak March. This is a good time to buy the stock as it has shown stability at the \$80 price point.

When buying a stock, you should look at the business environment, the company's ability to handle the growth as well as risk, and the stock's technicals. I went bullish on Lightspeed POS after considering the above three factors. I will take you through each factor one by one.

Omnichannel platform's business environment

The global cloud point of sale (POS) market is currently in a high growth phase. Global Market Insights [expects](#) the market to grow at a compounded annual rate of over 27% from 2020 to 2026. In this market, Lightspeed operates in the highly competitive segment of cloud-based omnichannel solutions for retail and hospitality sectors. The entry barrier is low in cloud-based services, and only those who can differentiate themselves in this crowded space and gain market share will survive.

After 15 years since being founded, Lightspeed achieved the spot of the platform of choice among small and mid-sized (SMBs) discretionary retailers and restaurants. While its competitors like **Shopify** and **Square** cater to SMB and large enterprises, Lightspeed is focused on SMBs.

The pandemic made the POS platform a need-to-have technology instead of a nice-to-have technology. The pandemic-induced lockdown saw a sudden surge in online shopping that encouraged businesses to bring mobile ordering and digital payment capabilities. This trend will grow as merchants realize the many benefits of going digital.

Lightspeed's ability to handle growth and risk

The Lightspeed platform adjusted its offerings and gave merchants online ordering, online bill payment, inventory management, shipment, and curbside pick-up capabilities. If the company can manage to

stay competitive by staying attractive and updated, it can gain market share.

Lightspeed is acquiring big players like ShopKeep and Upserve to bring the fragmented SMB market on one platform. It aims to grow by widening its product offerings, expanding geographically, and tapping new verticals. Last year, it tapped the golf club vertical, and this year it expanded in North America and Asia-Pacific.

On the product front, Lightspeed is broadening the reach of Lightspeed Payments and Lightspeed Capital across its customer base. These offerings will increase its average revenue per user and help it become profitable in the coming years. The company is also broadening its offerings in the supply chain. Its Supplier Network initiative aims to [encourage suppliers](#) to promote the Lightspeed platform to their merchants by offering suppliers' inventory analytics and much more.

The stock technicals

Lightspeed is tapping this growth well, which is reflected in its stock price. The stock has surged seven-fold from its pandemic low. On this day last year, Lightspeed stock bottomed to \$12.5 and over 12 months made a high of \$104.98. Now, the pandemic effect is fading, and the stock has corrected to \$80 as some investors cashed out profits, probably to pay off their taxes.

Wall Street analysts have a median price target of \$88 and a bullish target of \$103.43 for Lightspeed stock. The stock is currently trading at a price-to-sales ratio (PS ratio) of 58.3. It is fair as this is a seasonally weak quarter for the PQS provider. Not many people are shopping or dining out. They are busy doing their taxes.

The growth will pick up as the shopping season begins. As more restaurants and retail stores re-open, the merchants who canceled or paused their subscriptions will return. Lightspeed saw a glimpse of the post-pandemic growth in Australia. Even if the stock maintains its PS ratio of 58, it will surge in the second half as its revenue growth accelerates. The stock could also reach its all-time high of \$104.98 by Christmas, representing a 31% upside.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Tech Stocks

Date

2025/09/22

Date Created

2021/03/22

Author

pujatayal

default watermark

default watermark