



## 3 Reasons Lightspeed POS (TSX:LSPD) Is a Buy on the Dip

### Description

**Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) stock has dipped along with the rest of the tech market. Although the correction barely scratches the surface of all the accumulated gains from the past year, late-stage investors have been bruised by this recent plunge. Lightspeed stock is now trading 21% below its all-time high.

Investors are worried about the lofty valuation and the ongoing [pullback in tech stocks](#). However, there are three reasons to be bullish on Lightspeed stock, especially at this lower market price. Here's a closer look.

### Growth through acquisitions

Lightspeed has become a preferred omni-channel platform catering to small- and mid-sized businesses in the retail and hospitality sectors. The company has made a name for itself on offering software as a service platform that allows its clients to engage with consumers, manage operations, and accept payments.

Lightspeed POS has also grown through acquisitions, having completed Shopkeep and Upserve late last year. With these purchases, it has gained access to a massive customer base. In the recent past, it has inked a deal to acquire New Zealand-based retail management software Vend as part of a push for creating a global platform that brings together small- and medium-sized retailers' one-level playing field.

This growth strategy becomes easier when startup valuations pullback. If capital is leaving the tech sector, Lightspeed can snap up better deals for these smaller add-ons.

### Growth prospects

With the acquisitions, Lightspeed POS gained access to a massive customer base to leverage and sell its other solutions, including payments and shipping, where it earns commissions on transactions. These moves could expand its average revenue per user which should translate to increased profitability.

The company reported 79% growth in revenues in its most recent quarter, as customer locations worldwide topped highs of 115,000. Gross transaction volume was up 48% to \$9.1 billion.

Robust revenue growth leading to growth in adjusted earnings should be the catalyst to steer the stock higher from current levels. That said, Lightspeed POS is a growth stock backed by strong fundamentals that affirm its growth metrics and long-term prospects.

## Reopening prospects

Lightspeed's transition to digital e-commerce has been so successful that it's easy to forget that retail and restaurants were its core business pre-crisis. Physical locations have already adopted the company's POS systems. As these outlets experience a rebound in sales and foot-traffic, Lightspeed's gross merchandise volume should surge.

In other words, this stock is a reopening play.

## Bottom line

Lightspeed stock has lost 21% of its value in recent weeks. If the correction in tech stocks continues, it could dip much lower. However, the company's underlying fundamentals remain strong as ever. Lower valuations in the tech sector also make its acquisition strategy easier.

Meanwhile, investors should expect the brick-and-mortar segment of the business to rebound. As the vaccination drive gains steam, GMVs should rebound sharply. Lightspeed stock is a reopening play and should be on every growth investor's radar.

### CATEGORY

1. Investing
2. Tech Stocks

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