



## Lightspeed POS (TSX:LSPD) Stock: The Dip You Have Been Waiting for

### Description

**Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) stock has dipped almost 8% so far in May, as the overall stock market growth stalled. There are many vectors for this decline; the third wave of the pandemic, the 2021 budget, and the upcoming earnings. It is these factors that have changed and not the technology or the company. These factors can, at the most, stall the growth of Lightspeed stock but not pull it down. The stock still has the potential to reach the \$95-\$100 mark or even cross it by Christmas 2021, representing a 26% upside. So, what should you do in this dip?

### Why did Lightspeed stock dip?

Lightspeed stock dipped 24.5% from its February high of \$104.98. Even the acquisition of U.S.-based retail omnichannel commerce platform Vend didn't help Lightspeed stock surge past the \$90 price. What led to this dip? The stock surged in February on the back of the pandemic-induced rally. But when CEO Dax DaSilva gave a slightly bleak growth [outlook](#) for the fiscal fourth quarter of 2021, the stock started to fall.

Lightspeed's business is exposed to seasonality. The fiscal fourth quarter (ending March) is the weakest, and the fiscal third quarter (ending December) the strongest because of the holiday season. In the quarter ended March 2021, Lightspeed's earnings will see the impact of seasonal weakness and prolonged lockdowns from the third wave.

On the one hand, the lockdown has benefitted Lightspeed, as more and more small retailers subscribed to its platform. Moreover, it started services like Lightspeed Payments that increased its revenue per user. But on the other hand, it saw a higher churn rate in the hospitality sector. However, it maintained its average revenue growth rate above 50% with the help of acquisitions.

The fear of a slowdown in growth and the phasing out of fiscal stimulus has put downward pressure on Lightspeed. Why the fiscal stimulus? Because many investors have invested their stimulus money in Lightspeed stock, and many small retailers and restaurants benefitted from the government's rent subsidy and small business loans.

## Is the Lightspeed stock dip an opportunity to buy?

One question that is haunting investors. Is this dip a pullback before the rally? Lightspeed is a high-growth stock that has grown to unprecedented levels last year. For a high-growth stock, the focus is on revenue rather than profits. Hence, Lightspeed's rising net loss didn't stop the stock from rising. Its net loss surged to \$42.7 million, or 74% of the revenue, in the fiscal third quarter. But it has sufficient cash (\$230 million) to fund its rising losses, which is justified because of the pandemic.

The rate at which Lightspeed is scaling its operations, expenses will increase. Once it achieves a market share and stickiness, its losses will convert into profits. That is the time when its growth will slow. But for now, it is still a high-growth stock. The stock has already surged to such high valuations (a 66 times price-to-sales ratio) that it is unlikely to replicate a +100% growth this year or next.

However, Lightspeed stock still has ample potential to surge 20-50% by the holiday season. The company will continue to grow organically and through acquisitions. However, its acquisitions may not be as rosy as they were last year. Its recent acquisition of Vend had a 58% [cash element](#), way more than 33% and 29% cash element of its previous acquisitions.

## What should you do in the dip?

If you are worried that Lightspeed stock has reached its potential and there is no upside, then you can relax. The share still has growth potential. If you purchased the stock below the \$75 price, hold it for the long term. The Wall Street analysts have a median price target of \$88.34, and that is a price Lightspeed stock can sustain.

If you don't own the stock and are getting cold feet buying it at such a high valuation, wait for the stock to fall to \$75. The stock is gradually descending toward the oversold category. After Lightspeed's May 20th earnings, you could see a gradual upside, making it a buy on the dip. A stock price of \$75-78 is a good bargain, as it reduces your downside risk and increases your upside opportunity.

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