



My 3 Top Reasons to Buy Lightspeed Stock This summer

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock is trading on a slightly negative note for the last couple of sessions. The [tech stock](#) has underperformed the broader market this year despite a solid trend in its recent financials. However, several other factors could help this tech stock stage a big rally in the second half of the year. Let's take a closer look at three key factors that make Lightspeed one of the [best tech stocks](#) to buy on the **TSX** today.

A solid ongoing trend in recent financials

Despite COVID-driven operational challenges, Lightspeed's sales growth continued to remain strong last year. In its fiscal year ended in March 2021, its sales rose by nearly 84% from a year ago to US\$222 million.

Its adjusted gross profits surged to US\$127.3 million for the fiscal year 2021 — much higher compared to US\$77.4 million in the previous fiscal year. After some recent acquisitions, LSPD's had more than 140,000 customer locations at the end of the March quarter.

In the last fiscal year, Lightspeed exceeded its previously established sales guidance and beat analysts' expectations. In the March quarter, the company's organic software and transaction-based revenue jumped by about 48% year over year, while the Lightspeed Payments segment also posted solid growth.

Solid future outlook

Clearly, the existing trend in Lightspeed's sales and overall business growth is very strong. But its future growth prospects look even brighter. Earlier this year, Lightspeed partnered with Google to help small businesses improve their product discovery on the Google search engine. As a result of this partnership, Google search results will reflect live inventory levels of merchants with the help of LSPD's legacy platform.

Apart from improving merchants' locations discovery on Google, Lightspeed will also allow merchants to manage their advertising spend within its platform. LSPD's founder and CEO Dax Dasilva [believes](#) that "This initiative will help small merchants compete with large online marketplaces."

Overall, this partnership is likely to further enhance the usability of the company's omnichannel commerce platform — making it more appealing for a small-businesses.

As the popularity of its platform continues to rise among small and medium-sized businesses, its business growth is likely to exponentially improve in the coming quarters. This could be one of the reasons why Bay Street analysts expect Lightspeed's sales to more than double on a year-over-year basis in the next three quarters. Moreover, the ongoing reopening economies are likely to give another push to its sales growth.

LSPD stock is cheap

Given all of these positive factors related to its future growth potential and the ongoing strong trend in its financials, Lightspeed stock deserves to outperform the broader market by a wide margin, in my opinion. Its stock rose by nearly 31% in the June quarter.

However, it still is trading with only 15.7% year-to-date gains — lower than the TSX Composite Index's 16.4% gains this year so far. That's why its stock looks cheap to me right now. This could be another reason why you may want to buy it right now.

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