



Lightspeed Stock: Should You Buy?

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) stock fell about 28% since reporting its Q2 results last week. Furthermore, its stock is down about 47% from its peak. The significant decline in Lightspeed stock reflects the deceleration in organic growth, expected slowdown in revenue growth rate, and higher Q2 losses.

Notably, Lightspeed stated that its core business drivers remain strong, reflecting growth in customer base, GTV (gross transaction volume) expansion, increased payments penetration, and software adoption.

However, it forecasted Q3 revenues in the range of \$140 to \$145 million, reflecting a sequential moderation in growth rate. It's worth noting that Lightspeed's Q2 revenues increased by 15% on a quarter-over-quarter basis. Meanwhile, its Q3 projection reflects a quarter-over-quarter growth rate of 5-9%.

Moreover, Lightspeed forecasts FY22 revenues in the range of \$520 to \$535 million that reflects a further decline in sales growth rate on a quarter-over-quarter basis.

Now what?

I believe the expected slowdown in Lightspeed's growth rate shouldn't surprise much, especially with tough year-over-year comparisons. While I acknowledge that Lightspeed's organic growth rate decelerated sequentially in Q2, it remained solid.

In response to the concerns related to the economic reopening, Lightspeed's CEO Dax Dasilva stated that the economic reopening favours Lightspeed. The company witnessed strong demand for retail and hospitality offerings in North America and Europe, respectively.

Looking ahead, I expect the ongoing shift in selling models and growing adoption of omnichannel platforms will provide a multi-year growth opportunity for Lightspeed. Meanwhile, the momentum in organic sales and benefits from recent acquisitions will likely support its revenues. Also, Lightspeed's

focus on acquiring new customers, growing adoption of its cloud-based system, and expansion into new geographies and verticals will drive its addressable market and, in turn, its growth.

Another key highlight is the strength in its ARPU (average revenue per user). With the increased number of its existing customers adopting additional modules, its focus on two core platforms (including retail and restaurant), continued investments, and improving retention rate will likely support its ARPU and cushion its margins.

Lightspeed remains well capitalized to drive [future growth](#). Moreover, its mix shift towards recurring subscriptions and transactions-based revenues augur well for growth.

The bottom line

I am [bullish on Lightspeed](#), and I believe the recent pullback in its share price represents a solid opportunity to buy a fundamentally strong company to capitalize on the ongoing shift towards omnichannel platforms.

I expect Lightspeed's organic revenues to grow at a healthy pace, while improved ARPU will likely cushion its margins. Furthermore, the expansion of Lightspeed Payments to capture more GTV presents a significant growth opportunity. Also, its focus on strategic acquisitions will likely expand its market penetration, accelerate product development, and help the company enter into new growth verticals.

Thanks to the recent decline in its stock, Lightspeed trades at a next 12-month EV/sales multiple of 15.7, which is well below the pre-pandemic levels.

Overall, secular industry trends, Lightspeed's solid competitive positioning, growing scale, and low valuation make it an attractive long-term pick.

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Author

snahata

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