



Down Over 45%: Should You Buy Lightspeed Commerce (TSX:LSPD) Right Now?

Description

Amid a bearish report from Spruce Point Capital Management and [weak management guidance](#), **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) has lost over 46% of its stock value from its September high. Amid the recent fall, the company is trading around 2.7% lower for this year, underperforming the broader equity markets by a considerable margin. So, let's assess whether the steep correction offers any buying opportunities right now. But let's first look at its recently reported second-quarter performance, which ended on September 30.

Lightspeed Commerce's second-quarter performance

During the quarter, Lightspeed Commerce's revenue grew 193% year over year. Along with organic growth, its acquisitions over the last four quarters — NuORDER, Vend, Upserve, and ShopKeep — drove its sales. Its GTV (gross transaction value) grew to US\$18.8 billion, and it increased its customer locations to 156,000.

Thanks to its acquisitions and a growing number of subscriptions, Lightspeed Commerce's subscription-based revenue grew 132% to US\$59.4 million. Meanwhile, its transaction-based revenue grew 320% year over year to US\$65.0 million amid strong GTV growth and growth in its payments penetration rate.

Despite a strong sales growth, Lightspeed Commerce's adjusted EBITDA losses increased from US\$2.8 million to US\$8.7 million, while its adjusted loss per share increased from \$0.05 to \$0.08. The decline in its gross margin amid the recent acquisitions weighed on the company's financials. Now, let's look at its growth prospects.

Lightspeed Commerce's outlook

After reporting its second-quarter earnings, Lightspeed Commerce's management raised its revenue guidance while lowering its adjusted EBITDA. It now expects to post revenue of \$520-\$535 million in

this fiscal year, while its adjusted EBITDA losses could come in the range of \$40-\$45 million. The management expects the supply chain issues to weigh on its transactions while also impacting its ability to add new customers in the coming quarters.

However, the company's long-term growth prospects look healthy, given the growing transition towards the omnichannel selling model. Its new product launches, geographical expansion, and continued acquisitions could drive its financials in the coming quarters. At the end of the second quarter, the company had US\$1.2 billion of cash and cash equivalents, which could support its growth initiatives.

Bottom line

Despite the steep correction in its stock price, Lightspeed Commerce's valuation looks attractive, with its forward price-to-sales multiple standing at 16.8. Also, in September, Spruce Point Capital Management had accused Lightspeed of fudging its numbers before going public. Further, the investment firm had projected a downside of 60-80% in its stock price, given its exaggerated growth prospects. So, amid its expensive valuation and investors' skepticism surrounding the stock due to Spruce Point's bearish report, I expect the stock to be volatile in the near term.

However, investors with over three years of investment horizon could utilize the steep correction to [accumulate the stock to earn superior returns](#). Meanwhile, analysts also look bullish on the stock, as 15 of the 19 analysts covering the stock have issued a "buy" rating. Two of the remaining four analysts have given a "hold" rating, while the other two have issued a "sell" rating. Analysts' consensus price target stands at \$122.14, representing an upside potential of close to 40%.

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