



Lightspeed (TSX:LSPD) Stock: 5 Strong Reasons to Buy

Description

I wouldn't be wrong to call **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) a poor investment in 2021. Lightspeed stock underperformed the **S&P/TSX Composite Index** by a wide margin and is trading in the red on the year-to-date basis.

So, what changed for this high-growth stock?

Part of the problem has been the general selling and profit booking in tech stocks after stellar gains in 2020. Meanwhile, the negative report from a short-seller and deceleration in its organic sales growth played spoilsport.

While Lightspeed stock has corrected quite a lot, its long-term fundamentals remain strong, and I see five [strong reasons to buy](#) its stock at current levels.

1. Attractively priced

The first and the most obvious reason to buy Lightspeed stock is its current price. As stated above, Lightspeed stock has corrected nearly 49% from its peak and looks attractive long-term bet. Notably, Lightspeed stock is trading at a next-12-month EV/sales multiple of 14.5, which is well below its historical and pre-COVID levels.

Though its organic sales growth has witnessed a bit of moderation, it remains strong and will likely drive its stock price higher.

2. Lightspeed Payments: Strong runway for growth

I see its Payments Solutions as a key enabler of its growth. Lightspeed, during the Q2 conference call, stated that its Payments Solutions had its strongest quarter. Though its Payments penetration rate continued to increase (it grew to 11% in Q2), it represents only a small fraction of its total GTV (gross transaction volume) and suggests strong growth opportunities ahead.

Looking ahead, strategic acquisitions and focus on expanding its payments solutions beyond North America will likely drive its penetration in the coming quarters and support Lightspeed's overall growth.

3. Growing ARPU

Lightspeed is seeing a growing number of its existing customers adopt multiple modules, which is driving its ARPU (average revenue per user). During the most recent quarter, Lightspeed's ARPU increased by 59% year over year to \$270.

Looking ahead, the addition of solutions and modules and a growing number of its customer adopting more of Lightspeed's products will drive its ARPU and improve its retention rate.

4. Accretive acquisitions

Lightspeed's recent acquisitions have accelerated its growth rate by increasing its market penetration in newer and existing markets and driving its customer base. Further, acquisitions support Lightspeed's entry into newer verticals while supporting new product developments.

I believe Lightspeed's focus on value-enhancing acquisitions will drive incremental growth and support its stock.

5. Growing addressable market

Lightspeed's financial and operating performance will benefit from the expansion of its addressable market. Its focus on strategic acquisitions, foray into new verticals, product innovation, and geographical expansion will likely expand its total addressable market in the coming years.

Bottom line

Overall, Lightspeed's core business remains strong and has multiple growth drivers. Its growing customer base, favourable sector trends with a continued shift in selling models, increased adoption of its products, expanding payments solutions penetration rate, and strategic acquisitions indicate that Lightspeed will likely deliver [outsized returns](#) in the long term.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. snahata

Category

1. Investing
2. Tech Stocks

Date

2025/08/17

Date Created

2021/11/18

Author

snahata

default watermark

default watermark