



Forget Lightspeed (TSX:LSPD) Stock: 2 Growth Stocks I'd Buy Instead

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) stock had an incredible rise over the summer. From June to September, its stock rose 75%. The problem is, since the end of September, Lightspeed stock has basically given up all its gains, only a bit faster.

Why is Lightspeed stock down 54%?

So, what is the deal? Lightspeed's stock crash started with a short report. The report indicated that Lightspeed was extremely overvalued, especially considering it may not approach profitability for years.

Lightspeed posted a heavy loss in its recent [second quarter](#), and that further accelerated investor's angst about the business. Finally, payments stocks generally have been facing negative sentiment due to some bad press, increased competition, and hard-to-beat comparable results from last year.

Why Lightspeed stock is not a buy today

Lightspeed continues to post some strong triple-digit revenue [growth](#), but rising costs and supply chain challenges are pressuring margins. Profitability looks more difficult to achieve than even before. Given the negative stock momentum, I would continue to be cautious with Lightspeed. It may rebound if Lightspeed's management can prove otherwise. However, until then, Lightspeed stock could still have downside.



Nuvei: Fast growing and profitable

One growth stock that has declined, but I would be interested to buy is **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)). Over the past month, it has declined almost 20%. Like Lightspeed, this stock is in the payments industry. However, it provides a platform for enabling transactions across currency (including crypto), payment method, and geographic market.

It just reported very strong quarterly results. Transaction volumes increased year over year by 88% to \$21.6 billion. Revenues grew by 97%. Like Lightspeed, Nuvei is growing very fast. The difference is it is also scaling up profits the larger it gets. Year to date, Nuvei has produced \$0.64 per in profits per share compared to a loss last year.

Likewise, since the start of the year, its adjusted EBITDA has grown 102% to \$225 million. Its adjusted EBITDA margins continue to rise over 40%. Clearly, scale is making this business more profitable, not less. Given a strong platform, scalability, and a profitable business strategy, Nuvei stock looks more attractive than Lightspeed.

Topicus.com: Constellation Software's playbook in Europe

Topicus.com ([TSXV:TOI](#)) is another growth stock that has seen some recent weakness. Before buying more Lightspeed stock, I would take a look at this business. Topicus.com stock is down 8% over the past month. This stock has become popular because of its relationship to one of Canada's

best tech stocks, **Constellation Software**. It was spun-off from Constellation early this year.

Topicus.com is replicating Constellation's vertical market software consolidation strategy. However, it has a focus singularly in Europe. The company has performed well this year, but it is perhaps growing slower than some expected. Consequently, its stock has seen some weakness.

Yet, it has a great management team full of top capital allocators. Likewise, Topicus has a unique focus on organic growth that Constellation does not. Europe is not as exposed to the venture capital industry like in North America, so Topicus should have a competitive edge when it comes to acquiring growth.

Unlike Lightspeed, Topicus is also profitable. Its vertical software businesses generally produce a ton of consistent, recurring free cash flows that capture high profit margins. Consequently, if I was to buy a stock on weakness, my preference would be towards Topicus.com for a [long-term growth stock](#) hold.

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2. Tech Stocks

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2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:NVEI (Nuvei Corporation)
5. TSXV:TOI (Topicus.Com Inc.)

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