



Is Lightspeed Commerce Stock a Buy?

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) became a top performer in the e-commerce boom, when it came on the stage in March of 2019. It became one of the top 10 largest initial public offerings (IPO) in [TSX history](#). Plus, it's managed to find its niche, focusing on small- to medium-sized businesses in the retail and restaurant sector.

The pandemic made Lightspeed's popularity explode, along with other e-commerce stocks. Its high demand led to a surge in income, allowing the company to expand into the e-commerce space, rather than just its payment platform, and through acquisitions.

Yet after seeing a meteoric rise, Lightspeed went through a [tumultuous](#) fall — not just from the lessening popularity of e-commerce, but from an attack on its business. This led to its all-time highs turning into 52-week lows and falling.

So, at today's valuations, is Lightspeed stock a buy?

Lightspeed is spending money to make money

Lightspeed made its name as a point-of-sale system used in retail and restaurant locations. However, it's since expanded into an e-commerce platform. Furthermore, it's invested in expanding through a land-and-launch approach that's seen it reach over 100 countries.

Still, Lightspeed is far from owning the market share of the e-commerce industry. Furthermore, it's new to the e-commerce industry compared to some of its much larger peers. But it's catching up, and that first comes from buying up companies that are already cemented in the industry.

Lightspeed has made over \$2 billion worth of acquisitions from January 2020 to present. These acquisitions ranged from its original focus on the restaurant and retail industry to data analytics for e-commerce businesses. Most recently, its NuORDER acquisition made a partnership with The Bay to help boost its e-commerce presence.

Yet there is more room to grow, and that could mean more money to spend. Other e-commerce businesses have fulfillment networks, for example, that Lightspeed currently lacks. This could seriously help its current issues surrounding supply-chain disruptions. That could be difficult, since the company expands so far-reaching, it would be hard to focus on where its fulfillment centres belong. Therefore, more acquisitions could be in the future.

Can't forget the drama

You didn't think I'd just glaze by the drama of the last few months, did you? Because that certainly falls into what's been going on with Lightspeed stock recently. Without investor confidence, the company could continue to sink further. That means it will continue to be difficult to pay off its debts coming from its acquisitions.

In September, Spruce Point Capital Management came out with a short-seller report accusing Lightspeed of hiding behind faulty metrics. Further, Spruce Point said that Lightspeed's acquisitions weren't doing as well as the company reported. This sent shares down 30%.

Lightspeed then came out with an earnings report that saw losses balloon to \$59.1 million. Despite revenue increasing 193% year over year, a massive selloff of the stock ensued. Lightspeed is now down 68% from all-time highs. This also came from Lightspeed declaring that the next quarter could be hampered by supply chain disruptions for both the company and its merchants.

What analysts say

So, with all the drama, the growth, and the share fluctuation, what do analysts think about Lightspeed? Frankly, they think it's a buy at these levels. In fact, [RBC Capital Markets](#) recently named it among its top five investment ideas for 2022.

While the next two quarters could continue to see volatility, after that Lightspeed should bounce back. It's been like a right of passage for Canadian tech stocks, seeing an attack from its popularity that sends shares down, only to bounce back up yet again.

While analysts changed their target prices for Lightspeed, the average remains at \$125 per share. That's 140% higher than the \$52 share price as of writing. The selloff wasn't warranted, in analysts' opinions, and long-term investors could seriously benefit.

So, if you're willing to wait and take on a bit of short-term risk, then Lightspeed could definitely be a solid buy at today's levels.

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