



Why Lightspeed Commerce Stock Gained 7% in the Last Week

Description

Shares of Canadian fintech company **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) gained close to 7% in the last week. LSPD stock is currently trading at \$53 at the time of writing and has staged a partial recovery in the last few trading sessions.

After gaining more than 70% in the first nine months of 2021, Lightspeed shares fell off a cliff on the back of a short-seller report that accused the company of misleading investors. According to a scathing report from Spruce Point Capital, Lightspeed has paid a premium for a string of acquisitions in the previous quarters. Further, Spruce Point Capital forecast the stock to decline between 60% and 80% from all-time highs. LSPD stock is trading over 66% below record highs, providing contrarian investors with an attractive buying opportunity.

The detailed report also emphasized Lightspeed overstated its customer count significantly and stated, "We question why Lightspeed reported '50,000+' customers up through November 2018, and then ceased customer count disclosures to investors when coming public in March 2019."

Spruce Point Capital believes Lightspeed's organic growth is decelerating, and its recent acquisitions will add to operational costs and will delay the latter's path to profitability.

Let's see if Lightspeed Commerce can stage a comeback in the next 12 months.

The bull case for LSPD stock

Lightspeed provides small and medium businesses with POS (point-of-sale) systems as well as e-commerce software and other solutions. It has [three business segments](#) that include commerce, restaurants, and golf.

In the fiscal second quarter of 2022, Lightspeed increased sales by 193% year over year to US\$133 million and subscription sales accounted for 45% of total revenue. Lightspeed is a well-diversified company as its suite of solutions is available in over 100 countries and 156,000 customer locations. In Q2, 62% of sales were derived from the retail business and the rest from Lightspeed's restaurant and

hospitality verticals.

LSPD forecasts revenue to range between US\$520 million and US\$535 million in fiscal 2022, representing year-over-year growth of 138%. Comparatively, Lightspeed reported sales of just US\$57 million in fiscal 2018.

The bear case for LSPD stock

Despite its significant pullback, Lightspeed is [valued at a market cap](#) of US\$6.22 billion. If the company reports sales of around US\$530 million in 2022, the stock is still trading at a forward price-to-sales multiple of almost 12, which is steep, given its top-line growth is expected to decelerate rapidly in the upcoming quarters.

Analysts covering LSPD stock also expect it to remain unprofitable on an adjusted basis in the near term.

The Foolish takeaway

Lightspeed is expanding its presence across international markets at a robust pace. Its rising average revenue per customer is also trending higher by 59% year over year at US\$270 per month in Q2, indicating an increase in customer spending and engagement.

While LSPD will remain volatile in 2022, especially if markets turn bearish, its strong growth estimates make it a top bet for long-term investors.

Bay Street has a 12-month average price target of \$123.5 for Lightspeed stock, which is [more than 100%](#) above its current share price.

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