



## 1 Top Growth Stock Down 70% That Wall Street Thinks Could Soar 100%

### Description

There aren't that many stocks that Wall Street thinks could soar 100%. But every now and then, you find one. Usually high-growth names with a lot of potential, they earn a special place in analysts' hearts. In this article, I'll explore one such stock that not many Canadians will be familiar with, but it may become a household name if it plays its cards right.

### Lightspeed Commerce

**Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) is a retail and e-commerce company. It started out as a point-of-sale software developer. Its main offering was point-of-sale software that ran on iPads. Later, it branched out into e-commerce (the space that **Shopify** operates in) by acquiring e-commerce platforms like Ecwid.

The acquisition of e-commerce companies helped Lightspeed grow its revenue in the COVID-19 era. Although retail closures negatively impacted the demand for retail POS services, Lightspeed's e-commerce acquisitions proved resilient. For example, in the most recent quarter, LSPD's revenue growth was 193% year over year. That wouldn't have been possible without e-commerce in the picture, as the organic growth rate (growth minus acquisitions) was much lower.

As a result of all its growth in 2020 and 2021, Lightspeed stock soared. At its absolute highest, it traded for nearly \$158. Shortly after that, short-seller Spruce Point Capital came out against the company with a [scathing short report](#), that seemed to accuse Lightspeed of accounting fraud. That was about when Lightspeed started tumbling. Later, the company released its third-quarter earnings. Revenue growth was still very high, but the loss grew — not only in absolute terms, but also as a percentage of revenue. This started a second selloff in LSPD shares that took them back to \$50.

### Why Wall Street thinks it could soar 100%

As shown above, Lightspeed has already been at prices more than 100% higher than where it's at now. It appears likely that many analyst estimates were made back when those prices were still the

norm. Perhaps some [recency bias](#) was at play. Nevertheless, there have been many reasons given by analysts for being bullish on LSPD stock. These include

- High revenue growth;
- The earlier success of Shopify;
- Strong sentiment toward the payments industry as a whole; and
- The pandemic tailwind for e-commerce platforms.

All of these are valid enough reasons for Lightspeed's revenue to keep growing. Unfortunately, the company is paying very high prices for acquisitions and seeing costs grow more than sales. If that remains the case, then its stock may not reach the highs it was at just a few months ago.

In 2020 and early 2021, growth stocks were very much in vogue. Funds like **Ark Innovation ETF** soared, thanks to the pandemic tailwinds that were driving growth in their holdings. Later, though, the fund started to stumble, as losses became more apparent and individual growth stocks fell back to earth. Lightspeed was one of those stocks. Ultimately, it's hard to say whether the stock will reclaim its former glory. Much of Wall Street seems to think it will.

## CATEGORY

1. Investing

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