



## Why Lightspeed Stock Crashed 83% After Skyrocketing

### Description

Shares of commerce-enabling company **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)) skyrocketed amid the pandemic. Accelerated demand and a rapid shift in selling models towards omnichannel payments solutions led to a rally in Lightspeed stock.

However, a short report from Spruce Point, an expected slowdown in the base business amid tough year-over-year comparisons, and general market selling, especially in high-growth tech stocks, led to a significant correction in its price.

It's worth noting that Lightspeed stock has corrected over 55% in three months. Moreover, it has declined over 83% from its 52-week high of \$165.87.

A pullback in Lightspeed was expected, especially after its stellar bull run from the pandemic lows. However, a correction of over 83% is unwarranted. This has led to a [massive compression](#) in LSPD's valuation and represents a solid buying opportunity.

But before you buy Lightspeed stock, let's look at some of the catalysts that will support my bullish outlook.

### Attractive valuation

Lightspeed stock is too cheap to be ignored. It is trading at a next 12-month EV/sales ratio of 3.4, which is lower than the pandemic lows. Furthermore, it reflects a massive discount of more than 82% from its historical average.

Lightspeed's [cheap valuation](#) and strong growth potential make it highly attractive on the valuation front.

### LSPD continues to grow fast

Despite the concerns around the slowdown in its growth due to tough year-over-year comparisons and normalization in demand trends, Lightspeed delivered stellar financials during the most recent quarter.

Lightspeed's total revenues increased 165% year over year, benefitting from the acquisitions and strong organic sales growth. Notably, Lightspeed's subscription and transaction-based revenue (accounting for most of its total sales) increased 175% year over year, while the organic sales registered a growth of 74%.

Thanks to the continued strength in its core business, Lightspeed expects to deliver strong revenue growth. It increased its full-year revenue guidance range to \$540-\$544 million from \$520-\$535 million.

While its top line is growing rapidly, its performance metrics, including payments penetration, ARPU (average revenue per user), GTV (gross transaction volume), and customer locations, continue to expand and provide a solid base for future growth.

Lightspeed's payments penetration rate increased to 12% in Q3 of FY22. However, it remains low and indicates a strong growth opportunity ahead.

While its payments penetration is growing, its GTV has a CAGR of 53% since 2019, which is encouraging. Further, Lightspeed's ARPU and total customer base also improved.

## Bottom line

The ongoing shift in selling models, Lightspeed's ability to grow its addressable market, focus on the expansion of its payments solutions to new geographies and verticals, and ability to attract new customers provide a solid base for growth.

Furthermore, the expansion of its products suite, growing customer base, adoption of its multiple modules by customers, high retention rate, and opportunistic acquisitions will likely accelerate its growth and lead to a recovery in its stock price.

Overall, Lightspeed's low valuation, strong growth, and multiple growth vectors make it a solid long-term bet to outperform the broader market.

## CATEGORY

1. Investing
2. Tech Stocks

## TICKERS GLOBAL

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

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