



Lightspeed Commerce (TSX:LSPD) Rose 36% Last Week: Will the Uptrend Continue?

Description

Technology companies, which witnessed strong buying over the last two years, have had a tough year. Amid rising inflation, investors expect multiple interest rate hikes this year. Interest rate hikes could raise borrowing costs, thus impacting the margins of growth stocks that require higher capital to fund their growth initiatives. The expectation of normalizing growth for tech stocks amid the reopening of the economy and higher valuations have also dragged the stock prices of technology stocks.

However, the technology stocks witnessed a strong buying last week amid the hopes of recovery after a substantial value erosion. Also, investors were comfortable with the outcome of the two-day meeting of the Federal Reserve of the United States, which had increased interest rates by 0.25%. Amid strengthening investors' confidence, **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) rose by over 36% last week. Despite the rise, it still trades around a 78% discount from its September highs. So, should you buy the stock at these levels?

Let's first look at its performance in its recently [reported third quarter](#) and growth potential.

Lightspeed's third-quarter performance

Lightspeed's revenue came in at US\$152.7 million, representing impressive 165% year-over-year growth. The revenue from both its subscription and transaction segments rose amid solid organic growth and contributions from the acquisition of Vend, NuORDER, and Ecwid. With more customers adopting multiple software modules, its customer locations increased to 159,000 compared to 115,000 in the previous year's quarter, while the average revenue per customer increased by 61% to US\$290. Its gross transaction value (GTV) also grew by 124% from its previous year's quarter to \$20.4 billion.

Lightspeed's adjusted EBITDA losses declined from 11.4% of its revenue in the previous year's quarter to 4.7%. As a percentage of total revenue, its SG&A (selling, general, and administrative) expenses and R&D (research and development) expenses declined, boosting its adjusted EBITDA margin.

Growth prospects

With the increased adoption of online shopping, more businesses are adopting the omnichannel selling model, expanding the addressable market for Lightspeed. Meanwhile, the company is expanding its payment solutions to new markets and business verticals to increase its market share. Customer base expansion, upselling, and strategic acquisitions could boost its financials in the coming quarters.

After reporting a solid third-quarter performance, Lightspeed's management has raised its fiscal 2022 revenue guidance. The management expects the company to post revenue in the range of US\$540-US\$544 million compared to its earlier guidance of US\$520-US\$535 million. Also, they expect the company's adjusted EBITDA losses to be around US\$45 million.

Lightspeed's valuation and analysts' expectations

Despite the recent surge, Lightspeed still trades at an attractive valuation. Its forward price-to-earnings multiple stands at 6.4, which is lower than its historical average. Also, its price-to-book multiple stands at a healthy 1.2. So, given the favourable market conditions, healthy growth prospects, and attractive valuation, I expect Lightspeed to deliver [superior returns over the next two years](#).

Analysts also look bullish on the stock. Of the 15 analysts, 13 have issued a "buy" rating. Their consensus price target offers an upside potential of over 150%.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. rnanjapla

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date

2025/08/17

Date Created

2022/03/21

Author

rnanjapla

default watermark

default watermark