



What Should Investors Do With Lightspeed Stock?

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) stock came crashing last year when a short-seller questioned its financial numbers. One thing led to another and created a chain reaction. Today, the stock has lost 83% of its value and has reached its 2019 levels of \$36.

Should you buy the stock at this price? If you own the stock, should you sell it or go for dollar-cost averaging (buy more stock at the dip and reduce your overall cost)?

Lightspeed stock is growing

Lightspeed is an omnichannel commerce platform for restaurants and retailers. The platform takes care of orders, billing, appointment booking, delivery, online stores, and payments. Lightspeed is not just growing in Canada but worldwide.

The stock surged significantly during the pandemic, even though the company didn't see any significant customer growth as **Shopify** did. In the case of Shopify, all physical stores went digital, and the e-commerce giant saw Black Friday-like sales in April. The company reported more than 95% revenue growth in the three quarters of 2021, justifying the stock's 325% rally.

Lightspeed got caught in the e-commerce wave. Its business is not pure e-commerce but omnichannel, which means it helps you operate stores online and offline. But the pandemic got Lightspeed the attention it needed to attract investors and clients. Its founder Dax Dasilva took the opportunity to list Lightspeed on the NYSE. He raised equity capital in the 18 months of the tech stock rally and bought companies worldwide. In three years, Lightspeed acquired nine companies and expanded geographically and across verticals, including sports and golf.

The acquisitions doubled the size of Lightspeed. The company enhanced its e-commerce offerings. Now, the big challenge is consolidating these acquisitions and growing the business. Dax Dasilva has stepped down as CEO and handed over this job to Chief Revenue Officer JP Chauvet. The company has the technology and a client base. Until now, Lightspeed camouflaged the low customer retention rate through acquisitions. The 2022 challenge is retaining customers as economies re-open.

If it can sustain existing customers and increase average revenue per user through cross-selling, it could surge significantly.

Is there more downside for Lightspeed?

Lightspeed has significant growth potential, but it is facing some short-term challenges. Firstly, the Spruce Point Capital report spoiled Lightspeed's reputation when the former accused the latter of misrepresenting financial metrics. Next, the liquidity is drying up in the market as [inflation](#) shoots to a 30-year high, and the Federal Reserve starts an accelerated [interest rate hike](#). To add to this, the Russia-Ukraine war is making commodities, especially oil, expensive.

At times like these, even promising businesses are seeing pullbacks. But this pullback has gone too far for Lightspeed. An 83% correction is an overreaction, even from Spruce Point's perspective, which gave a pessimistic view of Lightspeed. The short-seller [estimated](#) a 60-80% downside (\$22.50-\$45 per share). The stock is currently trading at an 8.5 times price-to-sales ratio. The stock is [undervalued](#) for a 50% plus organic revenue-growth rate.

Lightspeed stock hit a low of around \$25 on March 14 before the Fed interest rate hike. At that time, the stock was oversold, with a Relative Strength Index of 30. For the first time since the September 2021 crash began, the stock surged above its 50-day moving average. This tells us that the technical downturn is nearing an end, and the stock is probably returning to growth. There will be volatility in the short term, but growth is in the long-term horizon.

Answering your questions

Now that you know the backstory of Lightspeed and the current market scenario, should you buy the stock? The stock has bottomed out. This is a good point to jump into the growth story before the stock becomes overvalued.

If you own Lightspeed stock, you might probably have purchased it at a higher price. This is a good time to buy more and reduce your overall cost. The stock has growth potential. Reportlinker [expects](#) the global retail omnichannel commerce platform market to grow at an average annual rate of 14.8% between 2020 and 2027. Lightspeed has what it takes to tap this growth.

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