



## Here's the Next TSX Stock I'm Going to Buy

### Description

Most [top TSX stocks](#) that skyrocketed during the COVID-19 pandemic reversed their gains and are trading at prices well below their pre-COVID levels. Normalization in demand, tough year-over-year comparisons, valuation concerns, lack of profitability (mainly for tech companies), and economic uncertainty are to blame for the massive correction in the prices of several TSX growth stocks.

Thanks to this correction, long-term investors like me can buy stocks at significantly discounted prices. While several high-quality stocks are trading cheap, **Lightspeed** ([TSX:LSPD](#)) is the next TSX stock I'm going to buy at current levels.

While Lightspeed's shareholders have seen significant losses in the past year, I see multiple reasons to invest in this beaten-down [tech stock](#).

The most obvious reason is its low price. Shares of Lightspeed have plunged about 78% in one year. Further, it has declined by over 62% in 2022. Due to the sharp pullback, Lightspeed stock looks attractive, especially as its organic sales continue to grow at a healthy pace. Lightspeed stock is trading at a next-12-month enterprise value-to-sales multiple of 1.7, which is at an all-time low. Moreover, it compares favorably to **Shopify's** enterprise value-to-sales multiple of 5.9.

### More reasons to buy Lightspeed stock

Lightspeed offers a cloud-based commerce platform for small- and medium-sized businesses. Given the structural shift in selling models towards omnichannel platforms, the demand for Lightspeed's products will gain from this ongoing digitalization. Further, its focus on expanding its presence in the existing verticals bodes well for growth.

With a pickup in the economy, retailers and restaurateurs will accelerate their investments in technology, as they modernize their legacy POS (point-of-sale) platform and expand to new locations, driving demand for Lightspeed's products.

I see Lightspeed's Payment solutions as a key catalyst to its growth and margins. The upsell of

Lightspeed's Payment solutions is expected to drive its ARPU (average revenue per user) and support margins. This was evident in the company's recent quarterly results, wherein higher adoption of Lightspeed's payments drove its ARPU and improved its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margins.

Lightspeed's s Payments penetration rate remains low, as only a small portion of its gross transaction volumes are processed through its solutions. This implies significant growth opportunities, as its Payments penetration increases and will eventually drive its transaction-based revenues.

Lightspeed is also expected to benefit from the increased number of existing customers adopting its multiple modules. This will drive its ARPU and cushion margins. Also, Lightspeed's focus on strategic acquisitions will increase its market penetration, drive customer locations, support its entry into new verticals, and help develop new products.

## Bottom line

The near-term macro uncertainty will likely limit the recovery in Lightspeed stock. However, the company is poised to benefit from the ongoing strength in its organic sales (which continues to grow by more than 30%), growing customer base, increase in ARPU, and increased adoption of its Payments solutions. The stock is trading cheap and could deliver multi-fold returns in the long term.

### CATEGORY

1. Investing
2. Tech Stocks

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