



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

Description

So far, high-growth stocks, especially from the [technology sector](#), have disappointed in 2022. Record-high inflation, the Bank of Canada's aggressive interest rate hikes to tame inflation, and economic uncertainty are to blame for the massive correction in growth stocks. While the painful decline in stocks eroded a significant portion of investors' wealth, it has also created an investment opportunity for investors with a long-term outlook.

Though the macro backdrop hasn't changed much, inflation is showing signs of easing. Further, the considerable discount in most [top TSX stocks](#) indicates that investors should capitalize on the low prices and benefit from the recovery.

Given the selloff, investors now have plenty of opportunities to invest their surplus cash. However, if I have to buy one stock, shares of the commerce-enabling company **Lightspeed** ([TSX:LSPD](#)) appear to be an attractive investment at current levels.

While there are multiple reasons to invest in Lightspeed stock, the most obvious one is its low valuation. Lightspeed stock is down about 63% year to date and is trading near its 52-week low of \$18.50. Due to correction, it is trading at NTM (next 12-month) enterprise value-to-sales multiple of 1.5, which is at an all-time low.

Besides its low valuation, let's look at factors that could lead to a recovery in Lightspeed stock.

More reasons to invest in Lightspeed stock

The company provides a cloud-based commerce platform and targets small- and medium-sized businesses. The ongoing shift in selling models towards omnichannel platforms augurs well for companies supporting digital transformation and provides a solid foundation for long-term growth.

Further, the economic reopening and pickup in demand will likely lead retailers and restaurateurs to spend more on technological advancements, modernize their legacy point-of-sale or POS platform, and expand into newer locations. This should drive the demand for Lightspeed's offerings and support

its growth.

The company is also integrating its operations into one brand and is focusing on selling two core products targeting retail and restaurants. The move will enhance its go-to-market approach, streamline operations, and help it to reach profitability. Also, Lightspeed is prioritizing customers with high value and GTV (gross transaction value). This strategic measure aims to lower the churn rate and drive ARPU (average revenue per user).

Thanks to this move, new customers coming on board have higher subscription ARPU than existing ones, which is positive. Also, these large customers have the ability to use more of its software modules.

Lightspeed is also expected to benefit from the growing penetration of its Payments solutions. Currently, a small portion of its gross transaction volumes is processed through its payments solutions. This implies that the company has a strong runway for growth in the coming years.

Bottom line

The increase in locations processing more than \$1 million in annual GTV, focus on ARPU growth, and growth in customers adopting its multiple modules will likely drive Lightspeed's financials. Also, its focus on strategic acquisitions, new product launches, and geographic expansion bode well for growth. While its fundamentals remain strong, and the company is generating healthy organic sales, its stock is trading extremely cheap, offering the opportunity to invest.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

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

PP NOTIFY USER

1. kduncombe
2. snahata

Category

1. Investing
2. Tech Stocks

Date

2025/09/02

Date Created

2022/12/21

Author

snahata

default watermark

default watermark