



## Could Lightspeed Stock Be a Big Winner in 2023?

### Description

The persistently high inflation, rising interest rates, and fear of economic slowdown turned investors risk averse. This led to a significant selling in [Canadian stocks](#), especially of [technology companies](#) like **Lightspeed** ([TSX:LSPD](#)) that are not yet profitable. Moreover, valuation concerns and normalization in growth rate further remained a drag.

While the macroeconomic environment remains challenging, I see the considerable correction in Lightspeed stock as an investment opportunity. The stock has gained about 20% in 2023. Even with this recovery, Lightspeed stock is trading at the next 12-month enterprise value-to-sales multiple of 2.2, which looks highly attractive.

Lightspeed's forward valuation is at a multi-year low. Moreover, any improvement in the economy and slowdown in the pace of interest rate hikes could give a significant lift to Lightspeed stock in 2023.

Besides its attractive valuation, let's examine other factors that support my bullish outlook.

### Demand for Lightspeed's products to sustain

Lightspeed offers a cloud-based commerce-enabling platform. It targets small- and medium-sized businesses. Given the structural shift in selling models towards omnichannel platforms, the demand for Lightspeed's products powering the transformation of legacy payment systems is likely to remain high.

Supporting the demand for Lightspeed's products is the economic reopening. Notably, retailers and restaurateurs witnessed a steep recovery in their business following the easing of lockdown measures. This has enabled retailers and restaurant operators to expand to new locations and spend money on technological advancements, including the modernization of their point-of-sale, or POS, platform. Thanks to their higher spending, the demand for Lightspeed's offerings will likely remain higher.

### Focus on achieving profitability

Lightspeed recently announced that it is integrating its operations into one brand. Moreover, it will focus on selling only two core products targeting retailers and restaurateurs. This strategy will likely help streamline its operations and enhance Lightspeed's go-to-market approach. Overall, it will help the company achieve profitability.

Lightspeed has also changed its customer acquisition strategy. It is prioritizing customers with high GTV (gross transaction value). It's worth highlighting that the move will likely reduce its churn rate and support ARPU (average revenue per user) growth. Highlighting the initial success of this strategy, Lightspeed stated that the new customers have higher subscription ARPU than its existing base. Further, as these high-value customers can use Lightspeed's multiple modules, this will support ARPU and margins.

Another key highlight is the growing penetration of Lightspeed's Payments solutions. Currently, only a fraction of its gross transaction volumes is processed through its payments solutions, implying significant growth opportunities ahead.

## Bottom line

Lightspeed's focus on streamlining its operations, enhancing the go-to-market approach, and increasing high-value customers (with over \$1 million in annual GTV) base indicates that the company is poised to deliver solid organic growth in the coming years. Also, its ability to acquire and integrate businesses will likely drive its customer locations, support new product launches, and strengthen its competitive positioning. While Lightspeed's fundamentals remain strong, its stock is trading cheap, providing an excellent opportunity to invest at current levels.

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