Should You Buy Lightspeed Stock After Earnings?

Description

Lightspeed Commerce (TSX:LSPD) announced its latest earnings report this month, and results were mixed, to say the least. While revenue grew 24% year over year to $188.7 million, at the higher end of its outlook, the company doesn't believe 2023 will be a great year for Lightspeed stock.

What happened?

Lightspeed stock announced third-quarter earnings that came in far above both their own projections as well as those of analysts. Revenue and losses were better than hoped for in particular, with its adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) at a loss of $5.4 million, which is far below the expected loss of $9 million.

The last two years have been intense for Lightspeed stock, with the company making a particular focus on small and medium business opportunities. This is where the company saw incredible growth, with customer locations with an annual gross transaction volume above $500,000 growing 15% year over year.

> "We have spent the last two years building the most compelling commerce platform to help complex SMBs improve productivity, reduce costs, automate operations and use data driven insights to scale their business. We continue to be pleased with the growth we are seeing in this targeted customer base."
> *JP Chauvet, chief executive officer of Lightspeed.*

Such news was also coupled with the reaffirmation of reaching break even or better in adjusted EBITDA by the next fiscal year. And that will mean focusing on new opportunities.

Going big

If the last two years were about small and medium businesses, the next two will be about large companies, Lightspeed said in a statement this week. Lightspeed stock is now moving away from catching every small fish and focusing on the whales of industry.

These would include companies with higher inventory levels, with a strategy to acquire larger and more profitable merchants. This comes, as companies like Lightspeed stock continue to look for long-term profitability rather than fast growth. With a global recession due in the next few months, long-term profitability is certainly a strong choice.

The move comes after announcing a 10% reduction in staff, about 300 jobs, for Lightspeed stock last month. Yet Chauvet stated in an interview this wasn't a cost-cutting measure, but to "streamline" for less redundancies in positions after the $2 billion in acquisitions made over the last few years.

Will have to wait it out

Even so, this new strategy most likely won't show dividends for some time. And, in fact, Lightspeed stock announced during earnings that it was lowering its projections for this year. Less consumption and an economic slowdown led the company to expect sales on the low end of its $730 million and $740 million outlook.

Yet since falling to lows down 88% from all-time highs, Lightspeed stock has seen improvement as of late. Shares are up about 23% since the beginning of 2023 and could climb higher from this recent shift. The company has a history of projecting low and coming out on top. This has led to strong boosts that could continue, as the market shifts from a recession to a bull market.

With that in mind, it could be a solid time to pick up Lightspeed stock after hitting those lows — especially as analysts continue to weigh in on the stock, believing it could outperform other e-commerce companies in 2023, if not beyond.

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