



## Lightspeed Stock: Should You Invest in February 2023?

### Description

Amid improving broader market conditions, [growth stocks](#) are back on investors' radars this year. **Lightspeed Commerce** ([TSX:LSPD](#)) is trading around 20% higher year to date. Despite the healthy buying, it still trades over 86% lower than its all-time high. So, let's assess whether investors should start accumulating the stock amid signs of recovery.

Meanwhile, let's first look at its performance in the third quarter, which the company reported earlier this month.

### Lightspeed's third-quarter performance

Lightspeed's third-quarter [revenue](#) came in at US\$188.7 million, representing a year-over-year growth of 24%. However, on a constant-currency basis, the growth stood at 26% amid solid organic growth, driven by higher ARPU (average revenue per user), GTV (gross transaction volume) growth, and increased adoption of its payments.

Compared to its previous year's quarter, the company's ARPU grew by 20% while its total customer locations grew by 5%. The company witnessed 15% and 19% growth in customer locations that processed GTV of over US\$500,000 and US\$1 million, respectively. However, the number of customer locations processing GTV of \$200,000/year fell during the quarter.

Its net losses came in at US\$814.8 million, including US\$748.7 million of non-cash goodwill impairment charge compared to \$65.5 million in the corresponding quarter of the previous year. However, its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) losses declined from US\$7.1 million to US\$5.4 million. As a percentage of revenue, its adjusted EBITDA fell from 4.7% to 2.7%, which is very encouraging.

Further, Lightspeed closed the quarter with cash and cash equivalents of US\$838.1 million. So, the company is well positioned to support its growth initiatives.

## Lightspeed's growth prospects

Amid the expansion of e-commerce, more SMBs (small- and medium-scale businesses) are taking their business online. This secular shift has created a multi-year growth potential for Lightspeed. Also, the company's products aid in improving their productivity, lower expenses, automate specific processes, and provide data-driven insights.

With customer locations that process GTV of over US\$500,000/year growing in double digits, Lightspeed would focus on bigger businesses, which offer a lower churn risk and higher lifetime value for the company. The company is adding new modules, improving its penetration, and expanding its verticals to grow its customer base and ARPU. With the company's gross payment volumes forming a small percentage of its GTV, it has substantial scope for expansion. Further, the company earns around 96% of its revenue from recurring sources, stabilizing its financials.

Along with top-line growth, Lightspeed is focusing on improving its [profitability](#). It has reorganized and streamlined its operation, slashing 10% of its workforce. It has successfully integrated its recent acquisitions, which has helped lower its losses. Meanwhile, the company's management has set a goal to achieve breakeven or positive adjusted EBITDA by the end of the next fiscal year. So, the company's growth prospects look healthy.

## Bottom line

Although Lightspeed has witnessed healthy buying recently, it still trades at attractive multiples. The company's NTM (next 12-month) [price-to-sales](#) and price-to-book multiples stand at three and one, respectively. Considering its deeply discounted stock price and growth prospects, I am bullish on Lightspeed, despite the near-term volatility. So, investors with an investment horizon over three years can start accumulating the stock to earn superior returns.

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