



Why Lightspeed Commerce (TSX:LSPD) Is up 550% in 2 Years

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) has been one of the best-performing tech stocks on the market. It's up 550% in just over two years and 50% year to date. Despite the pandemic, the company's core business continues to strengthen.

Here are some of the reasons Lightspeed stock has had such an incredible run, and why this trend could continue for the foreseeable future.

Growth factors

Lightspeed Commerce is at the intersection of two hyper-growth sectors. For instance, the company offers point-of-sale (PoS) software, a segment expected to grow by over 10% in the next three years. In addition, it operates in the e-commerce sector, growing at a CAGR of 22.2%.

Lightspeed's strong performance in these markets stems from the strategic acquisitions it has carried out over the years. Vend, Upserve, and Shopkeep are the three of the company's most noteworthy acquisitions this year.

The company has also completed the [acquisition of Ecwid](#), which is expected to strengthen its prospects in the e-commerce sector and contribute significantly to revenue growth. Shopkeep is a cloud service platform provider, while Vend expands its footprint into cloud-based retail management.

Valuation

Impressive financial results are a key indicator that Lightspeed's recent pivot to e-commerce helped it during the pandemic. Now, the company should benefit from a rebound in consumer spending as the pandemic recedes.

While Lightspeed is not profitable at the moment, which is understandable for a company trying to reinvest in growth opportunities to generate long-term value. As it stands, Lightspeed is a smart bet for

long-term investors, as acquisitions are poised to make it a powerhouse in the industry.

Inflation hedge

The outlook for most tech companies is murky right now. Canada's inflation rate, for instance, hit an 18-year high recently. The cost of living is currently rising at 4.4% on an annual basis. Rising inflation could push interest rates higher and, consequently, push growth stock valuations lower.

However, Lightspeed's business model puts it in a unique position.

The company processes payments, which means it transmits inflation. In other words, Lightspeed's total revenue should rise, as merchants on the company's network raise prices. That makes the stock an inflation hedge.

If this theory holds up, Lightspeed and its peers could outperform the rest of the tech sector in 2022 and beyond.

Bottom line

Lightspeed stock could be an ideal target for tech investors right now. The company's growth-via-acquisitions model seems to be working as its platform expands to new sectors of the economy. Meanwhile, robust earnings and significant cash flow put the company in a strong position. Lightspeed's business model also makes it somewhat immune to inflationary pressures. Rising prices benefit the company. That makes it an inflation hedge. Investors seeking a robust growth opportunity in the overstretched tech sector should certainly add this one to their list.

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