



Could Lightspeed (TSX:LSPD) Stock Hit \$50 in 2022?

Description

Growth stocks, especially from the tech sector, have been hit hard by the recent selling in the market. Soaring inflation, a rising interest rate environment, and valuation concerns are why investors dumped technology stocks.

While the macro uncertainty indicates that [tech stocks](#) could stay volatile in the near term, the sharp pullback in their prices makes them attractive long-term investments.

Though most of the tech space witnessed a sharp pullback, the massive decline in **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)) has caught my eye. While the shares of this cloud-based commerce platform provider have bounced back from the lows, it is still down over 81% from the 52-week high.

While Lightspeed stock has lost substantial value, it continues to deliver strong financial and operating performances, which indicates that the selloff is unwarranted. Further, the impact of the pandemic on small- and medium-sized businesses has accelerated the need for Lightspeed's offerings, creating a multi-year growth opportunity for the company.

Against this backdrop, let's look at factors that could lead to a recovery in Lightspeed stock.

Multiple growth catalysts

The structural shift in selling models towards the omnichannel platform and Lightspeed's product expansion positions it well to capitalize on the increased spending by retailers and restaurant operators on technology.

Lightspeed continues making investments to drive future growth and is adding more solutions to its platform, which augurs well for growth. Further, it is expanding its presence within existing verticals, targeting new verticals, and selectively pursuing acquisitions to accelerate its product development and growth.

Through its land-and-expand strategy, Lightspeed cross-sells and up-sells products and services at a

limited incremental sales and marketing expense, which bodes well for its profitability.

Lightspeed's growing and diverse customer base, high retention rate, growing mix of income from recurring subscription and transaction-based revenues, and a large addressable market are positives.

It's worth mentioning that Lightspeed's payments penetration rate is increasing quarter over quarter and came to 13% in March ended quarter. This indicates that Lightspeed still has ample payments growth opportunity, bolstered by growing GTV (gross transactional volume) and expansion of its payments solutions.

Lightspeed's core ARPU (average revenue per user) remains strong. Moreover, with an increased number of customers adopting more of its products, its ARPU is expected to expand further.

Bottom line

The growing list of macro (high inflation and interest rate hikes) and geopolitical headwinds pose challenges for tech companies, including Lightspeed. However, Lightspeed's consistent performance and solid growth outlook point to a steep recovery in its price. Lightspeed expects the momentum to sustain and projects organic sales growth of 35-40% in the current fiscal.

Notably, Lightspeed does not have significant operations, suppliers, or customers in Russia, Ukraine, or Belarus. Further, the sharp drop in Lightspeed stock indicates that negatives are priced in.

Lightspeed stock is trading cheap while it continues to deliver stellar growth. Also, its investments and acquisitions will accelerate its growth. All of these indicate that Lightspeed stock could bounce back sharply. Moreover, a bump in demand during the Q4 of 2022 could further lift its stock to \$50, representing an upside of about 58% from yesterday's closing price.

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