



Want to Beat the TSX? Buy and Hold This Growth Stock

Description

So far, 2022 has disappointed equity investors. Various factors like the record-high inflation, aggressive interest rate hikes, supply shortages, and Russia/Ukraine war led to massive selling in the stocks, especially of high-growth [tech companies](#), thus eroding a significant portion of investors' wealth.

While the macro environment has not changed yet and uncertainty remains, the significant correction creates a solid opportunity for buying and holding growth stocks. One such high-quality company is **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)), shares of which have dropped about 86% from the 52-week high.

Despite the considerable erosion in its value, I see multiple reasons why Lightspeed could handily beat the TSX in the long term. Let's consider the factors that make Lightspeed stock an attractive investment to outperform the TSX by a wide margin.

The momentum in Lightspeed's business sustains

One of the primary reasons for the decline in Lightspeed stock was the expected slowdown in its growth due to the economic reopening and tough comparisons. However, that hasn't played out yet. On the contrary, Lightspeed continues to deliver strong financial numbers led by solid organic sales and acquisitions.

During the last quarter, Lightspeed's top line increased by 78%, reflecting a 77% and 88% jump in subscription- and transaction-based revenues. What stood out was the organic growth of 48% in its subscription and transaction-based revenues.

Lightspeed's management is confident about delivering 35-40% organic growth in FY23. Moreover, it expects the momentum in its base business to sustain in the future years.

I believe Lightspeed could comfortably achieve this organic growth guidance due to the structural shift in selling models toward omnichannel platforms. Even as the e-commerce growth has slowed, the

demand for Lightspeed's digital products and payment volumes could remain strong, as merchants and restaurateurs continue to invest in technology.

Lightspeed continues to invest in adding more merchant solutions to its platform. Moreover, it is expanding its penetration into the existing verticals and targeting new verticals. These measures will support its organic growth. Also, its ability to cross-sell and upsell at limited incremental costs support higher revenue per user.

Looking ahead, the increase in its payments penetration rate, increase in payment solutions, and higher transaction volumes will accelerate its growth.

Acquisitions to bolster its growth

Besides the strength in its base business, Lightspeed could benefit from its selective acquisition strategy.

These acquisitions drive its customer base and help it enter new markets and verticals. Also, acquisitions drive its penetration into existing markets and accelerate product development, thus supporting its long-term growth strategy.

Valuation at an all-time low

The sharp correction in Lightspeed stock has dragged Lightspeed's valuation lower. Shares of Lightspeed are trading at a forward EV/sales multiple of 2.5, which is at an all-time low and also compares favourably to its peers.

Bottom line

The current macro and geopolitical environment could restrict the recovery in Lightspeed stock in the near term. However, its significantly low valuation, large customer base, high customer retention rate, product expansion, and growing addressable market provide ample reasons why investors should invest in Lightspeed stock to beat the broader market averages.

CATEGORY

1. Investing
2. Tech Stocks

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1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

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