This Growth Stock Could Double Your Money in 2020

Description

I like sales and I like deals. I hate paying a high price for anything. Therefore, when something is selling at a premium to what I would consider a good price, I tend to pass it by. This is certainly the case for clothes, is frequently the case for food, and is often the case for stocks. As a result, the majority of my stock purchases are stable, dividend-paying income stocks.

In recent years, though, I have learned to change my tune somewhat. Over and over, I have held back on purchasing expensive growth stocks in order to avoid the volatility and uncertainty that high-valuation stocks can command.

This philosophy protected my portfolio, as it produced steady growth and income generation, but I also missed out on some extraordinary results from growth stocks like **Shopify**, as they doubled and tripled over time. While I still believe that putting all of your money behind these high-risk, high-reward names is an accident waiting to happen, buying into an early-stage, long-shot growth stock with a small amount of cash can be worthwhile.

This is a new stock you can take a shot at

I am very interested in digital transaction companies. The transition to a cashless society is progressing significantly, providing growth opportunities to companies who offer transactional and business management solutions. **Lightspeed POS** (TSX:LSPD) is an early-stage point-of-sale company that offers hardware and services to companies of various sizes worldwide.

At a market capitalization of only $2.35 billion, this company still has a lot of capital appreciation ahead of it. It is a relatively new public listing, with its shares only being available to the public for less than a year. It has not yet attracted the attention that Shopify has received, but attention is starting to come its way.

It posts significant growth

This company has been growing pretty substantially on a percentage basis, with total revenues in the second-quarter 2020 results increasing by 51% year over year. Revenues from recurring payments and software — a key component for a company like this — increased by 52%. The company also had healthy gross margins of 66%, which could bode well for future profitability.

With its eye on global markets, Lightspeed has been expanding worldwide. The company focuses on restaurants and other businesses domestically and internationally. Lightspeed has recently landed contracts with diverse businesses like hotels and donut shops in the U.K and a major golf course operator with multiple locations across North America.

The company has also been expanding through acquisitions. In Q1 2020, it announced the purchase of Switzerland-based iKentoo, which added more European and South African customers to its client base. In the second quarter, it announced the acquisition of Kounta, a cloud-based hospitality point-of-sale platform in Australia and New Zealand.

There has to be a "but"

While this company has managed to maintain a strong balance sheet, the company currently has US$171.8 million in cash and no debt, investors still need to be aware of the fact that they are buying a growth company with a number of flaws.

First and foremost is the reliance on revenue growth as opposed to earnings and profitability. For one thing, its net loss is still widening, with a net loss of US$10.1 million in Q2 2020, as compared to a net loss of US$8.2 million a year earlier. At some point, the company will need to start making money, but for now growth is the main target.

Another point to consider is the company's absolute numbers as opposed to percentage improvement. Hearing numbers like 52% growth sounds great, and it is, but when you are starting from a low level it is easier to increase numbers quickly. This company only has revenues of US$117 million on a market capitalization of $2.35 billion, after all.

Not a bad growth stock

In spite of the risks, I think I'll take a small shot on this stock. I like its business as a growing, international, point-of-sale company. I especially like the fact that it maintains a debt-free balance sheet. This is a long shot, but it is worth taking a chance on Lightspeed with a small amount of cash.

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