Is This Tech Stock a Buy in a Crashing Market?

Description

What a difference a month can make. While I was expecting there to be some kind of an economic pullback at some point, I never in my wildest dreams imagined what reality would deliver. The investing landscape was much different back then — so different that looking back appears to be an entirely different world from today.

I was positive on **Lightspeed POS** (TSX:LSPD) at the time, as it was a high-growth tech company that was making enormous inroads into its target locations. It's point-of-sale machinery and services were being adopted at a fantastic rate, with revenue growth in the double digits. Everything was looking rosy for the name.

While it seems like an eternity ago, February's results were excellent. Lightspeed enjoyed revenue growth of 61% year over year. It had a hospitality business that was growing at a fabulous rate, indicating for all the world growth would continue in the coming years.

Then the coronavirus hit. Many companies were hit by the virus, with the anticipated damage to spending expected to be significant over the next while. People began dumping stocks, leading to an unstoppable wave of selling. Hardly a stock has escaped the selling, and Lightspeed was no exception.

The company's fortunes were not helped by the fact that a large portion of its revenues comes from the decimated restaurant industry. With restaurants being closed to protect against the virus worldwide, it's pretty tough to make any money at the moment. Being globally diversified, as Lightspeed has striven to be, is of no use at the moment.

The good news

On the positive end, Lightspeed does not have any debt. Heavy debt loads can be challenging in this environment to any company, so the lack of debt is appealing. Lightspeed should be able to weather the economic storm.

It is also possible, once the turmoil settles down, that Lightspeed will continue to grow rather quickly. If that occurs, then getting in at this price might seem like an excellent deal. The problem is, though, if the economic downturn is more significant than it currently appears, the company might take a long time to gain traction once again.

The final Foolish note

High-valuation stocks like Lightspeed can get hit pretty hard in a bear market, as you've probably already noticed. This certainly has been the case with Lightspeed, which suffered both from a market decline and sector decimation. As painful as it is, sometimes you need to cut your losses and put your money somewhere else until the dust clears.

At this point, I will likely not get back into Lightspeed, although it is not the fault of the company. If a major recession is in progress, people will be cutting down spending in a major way. Besides, there are now so many core dividend stocks you should be focusing on adding. At present, it would make more sense to realize your loss and put your cash into steady, rock-solid dividend payers than taking a chance on Lightspeed.

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krisknutson