



Lightspeed POS (TSX:LSPD) Just Plunged 5.5%: Should You Buy the Dip?

Description

Don't look now, but **Lightspeed POS** ([TSX:LSPD](#)) stock just [took one on the chin](#) in Monday's trading session, with shares plunging 5.5% on a day that saw many of Canada's recent tech winners pullback.

For a stock that more than tripled in a matter of months, such a significant pullback was to be expected, as tech stocks riding high on pandemic tailwinds looked to take a breather.

Just last week, I warned tech investors to brace themselves for a broader growth-to-value rotation and to trim their profits before Mr. Market had a chance to claw it back. But after Monday's tech sector weakness, is it finally start to throw in the towel on some of Canada's hottest stocks or is this a mere road bump for a company poised to continue defying the fundamental laws of gravity?

Is the latest dip a buying opportunity?

In the grand scheme of things, the bid down-day for shares of Lightspeed POS is just a blip. But with a stretched valuation and a slate of COVID-19 pandemic risks that are still on the table, one has to wonder whether the risk/reward is still attractive after the stock's unbelievable second-quarter performance.

It's easy to dismiss a stock that's already taken off. But as you've probably heard before, investors should pay attention to where they think a stock is going, rather than where it's already been. So, rather than skating toward where the puck is at right now, you should skate toward where you think the puck is headed next, so you can position yourself to improve your chances of scoring a goal.

As for where Lightspeed POS is headed next, I'd have to say that the risk of a meaningful pullback remains high given the rich valuation and the likelihood that the winners could lead the next downward charge in a broader market meltdown driven by a second wave of COVID-19 cases and a rotation out of tech stocks with lofty valuations.

Tech wreck coming?

In a [prior piece](#), I noted that Lightspeed POS was likely to view the coronavirus crisis as more of a double-edged sword than a pure tailwind like its e-commerce pure-play peer **Shopify**.

“On one side of the sword, SMBs that have seen their sales pressured by the coronavirus pandemic have been rushing to Lightspeed’s promising platforms. Many SMBs will discover what they’ve been missing out on; should they survive this crisis, they’ll likely remain Lightspeed customers for life, opening up a huge door of future upselling opportunities.” I said.

“On the other side [of the sword], a considerable chunk of Lightspeed’s client base is comprised of firms, specifically SMBs, that are sitting at ‘ground zero’ of this [COVID-19] crisis. We’re talking restaurants and mom-and-pop physical retailers, many of which will feel uneasy reopening, even as government-mandated lockdowns are lifted.”

If a second wave of coronavirus cases wallops the economy and sparks another round of shutdowns, those “reopening rollback” headlines could spark a broader stock market correction, for which even the recent winners may not be spared from.

Foolish takeaway

While I am a huge fan of Lightspeed POS’s business, I’d personally prefer waiting for a better entry point into the name. The stock trades at over 18 times sales and is likely to be a ridiculously volatile name for the duration of this pandemic.

Given the risks and the questionable value to be had from the growth stock after its latest run, I’d look to the mid-twenties before making a move.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

Date

2025/08/03

Date Created

2020/07/14

Author

joefrenette

default watermark

default watermark