Can Lightspeed POS (TSX:LSPD) Stock Still Make You Rich?

Description

The recent surge in shares of **Lightspeed POS** (TSX:LSPD) has been nothing short of unprecedented. The stock completely imploded on itself in the heat of the February-March sell-off, as investors thought the commerce-enabling tech sensation would fall alongside its client base, which was perceived to be vulnerable in the face of the worsening pandemic.

Despite the recent rally, which saw Lightspeed stock more than tripled, up 251% from its March bottom, LSPD is still 13% below its August 2019 all-time high. Indeed, the more than 70% implosion earlier this year was overblown beyond proportion, as I mentioned in a prior piece, pounding the table on the stock, as it crumbled amid seemingly endless panic-selling back in March and April.

Lightspeed POS's growth story rhymes with that of Shopify's

If you bought shares when fear was mounting, you made a pretty decent profit. And it didn't matter where you purchased amid the market crash. If you bought on the way down, the way up, or managed to get in close to the bottom, you likely made a great deal of wealth over a very short time span.

The $3.3 billion company's growth story rhymes with that of **Shopify**'s, but given it's in the earlier innings of its growth story and the valuation is multitudes lower, I'd argue that Lightspeed has a heck of a lot more room to run over the next year, as the world looks to recover from the COVID-19 crisis.

On its own, Lightspeed POS is an absurdly expensive stock, with shares trading at 18.4 times sales. Compared to the likes of many other cloud companies that have stood to benefit from the pandemic, though, Lightspeed stock actually looks like a bargain on a relative basis.

Lightspeed POS demonstrated tremendous resilience in the face of a crisis

Lightspeed POS's client base, which is composed of hard-hit restaurants and small (usually less liquid) retailers, has demonstrated tremendous resilience amid this crisis. Lightspeed's platform, like Shopify's, has been a lifeline for many hard-hit small- and mid-sized merchants, and as a result, the company has seen an acceleration in demand for its value-adding services.

For the second quarter, Lightspeed's management team is guiding for $38-40 million worth of revenue and an EBITDA loss of $8-7 million. Margins will stand to compress over the near-term, as expenses look to rise. Still, over the longer-term, such margin compression isn't all that big of a deal given the profound sales growth and a client base that's far "stickier" than most investors thought back in February and March.

Foolish takeaway

Looking back, there's no question that Lightspeed's fall from glory was overblown. But there are still risks with the name, especially since the first-half winner is a top contender to surrender a considerable chunk of its gains in a broader market growth-to-value rotation.

In any case, I suspect Lightspeed POS will continue enjoying acceleration to its business well after the pandemic ends. The company is starting to make a name for itself, and despite the "frothy" near-20x sales multiple, Lightspeed is an undervalued stock that could easily make new all-time highs by year-end.

Lightspeed POS is sitting on over $200 million in cash and is in a spot to ride out this crisis — and maybe walk away with a cheap acquisition that could serve as fuel for the momentum stock that's still mostly under the radar of most Canadian investors.

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