2 High-Flying Stocks That Could Crash in 2021

Description

The end of the year's a little more than a month away and there's a lot that can change in 2021. Next year could see the end of the coronavirus pandemic as we know it. With the economy still under duress and a different U.S. president soon to be at the helm south of the border, there are many variables to consider.

Two stocks that could have rough years in 2021 are **Lightspeed Inc** (TSX:LSPD)(NYSE:LSPD) and **Well Health** (TSX:WELL). Here's why I'd avoid holding either one in my portfolio next year:

Lightspeed

Quebec-based Lightspeed's managed to do well this year even though the pandemic hasn't been kind to the types of customers who use its platforms, specifically those in the retail and hospitality industries. Year to date, shares of Lightspeed are up 75% and revenue last quarter of US$45 million was still up an impressive 61% year over year. But Lightspeed's stock is on borrowed time and a correction could be well overdue.

The company benefits from recurring revenue which is great but it can also make its results a little misleading. Until businesses are closing up shop for good or close to that step, their point-of-sale systems will be about the last assets they'll be getting rid of. And so while Lightspeed is steadily growing its sales, that trend may not last for long. Without acquisitions boosting the company's top line in Q2, the company's software and payments revenue would have grown by just 42% rather than 62%.

Lightspeed's sales likely won't continue growing at a rate of even 40% next year, not with the global economy still struggling due to the pandemic. And as that growth rate falters, you can expect many investors will jump off the bandwagon.

There will be some tough times in 2021 for Lightspeed, as not only will it likely run into some challenges in growing its business, but customers who are doing what they can to stay afloat in 2020 might buckle under the pressure next year.

Well Health

Telehealth company Well Health's benefited from the rising popularity of patients making virtual rather than in-person visits to the doctor's office during the pandemic. The hype's propelled the stock to returns of around 350% this year. Similar to Lightspeed, the company's been producing some strong numbers with Well Health reporting record sales numbers in Q3 totalling $12.2 million, which rose 50% from the prior-year period. But its sales are also stagnant of late, showing little quarter-over-quarter growth.

And with multiple vaccines on the way next year and concerns surrounding the coronavirus pandemic potentially subsiding, demand for telehealth will likely taper off. The more positive outlook is already having a negative outlook on the healthcare stock, with its share price down 8% in just the past month. It also doesn't help that Well Health isn't anywhere near profitable yet, incurring a loss of $9 million year to date on revenue of $33.1 million.

Bottom line

Lightspeed's stock is currently trading at 27 times its revenue while Well Health's at a multiple of 22. Both are extremely pricey stocks — the average stock on the **iShares S&P/TSX Index ETF** trades at just 1.6 times its sales. And with 2021 being a challenging year for both companies, it wouldn't be surprising to see these two stocks struggle next year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)
3. TSX:WELL (WELL Health Technologies Corp.)

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