



Lightspeed POS (TSX:LSPD) Stock Just Soared 40% in 20 Days: Should You Buy?

Description

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock has soared 40% since it announced robust earnings in the second quarter of fiscal 2021. It is on the lines of becoming the next **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) in the second wave of the pandemic. COVID-19 cases are surging in Canada. The Justin Trudeau government is putting Canada's largest city, Toronto, back on lockdown for 28 days to control the spread.

Lightspeed beats Shopify in the second wave of the pandemic

But this lockdown is different from the March lockdown. In the new lockdown, the government has allowed retail stores to remain open, but they have to restrict to curbside pick-up only. And one company that provides this service is Lightspeed POS. I won't be surprised if it reports a significant surge in subscriptions in November and December.

Even Shopify has opened an omnichannel retail POS (point-of-sale) platform. What makes me confident about Lightspeed POS and not Shopify? The stock price. Shopify stock fell 2% in the last 20 days. Even on the Toronto lockdown announcement, there wasn't any jump in its stock price. Lightspeed stock soared 20% this week alone.

The Lightspeed platform allows retailers and restaurants to manage multiple stores on a single platform. It offers curbside pickup, inventory check at local stores, contactless payments, and online order booking so that customers can avoid crowding at stores. Toronto retailers have no choice but to subscribe to this platform to continue doing business.

Will Lightspeed achieve the Shopify glory in these 28 days?

The timing of the Toronto lockdown adds a brownie point for Lightspeed. The last two months of the calendar year are seasonally strong for Lightspeed and Shopify, as people rush to stores for holiday shopping. This year, holiday shopping will be more at online stores than physical stores. As many

people buy gifts during this time of the year, they will prefer picking it themselves than go for doorstep delivery — especially if there are last-minute purchases, doorstep delivery will not come in time of gift opening. Hence, retailers are using Lightspeed for their physical stores.

If Lightspeed succeeds in replicating the Shopify magic in the second quarter, how much can the former stock rally? Shopify stock surged 160% between April and June when the lockdown was at its peak. The company saw Black Friday-like traffic in April, and its revenue surged more than 95% year over year in [the second quarter](#).

If Lightspeed stock rallies like Shopify, the former could reach a stock price of \$110, representing upside of 75% from its current trading price of \$61. Shopify stock is trading at 63 times its sales per share. Lightspeed stock is currently trading at 27 times its sales per share and could hit the 66 times valuation at \$110 stock price.

Should you buy Lightspeed stock at \$61?

There is no doubt that Lightspeed has growth potential. But you must buy the stock at the right price point. For that, I will refer to the technical indicators. The price momentum shows that the stock is overbought. There isn't much trading volume. Yet the stock surged 40%. This means there are a few bullish investors who are buying the stock at a premium from the trading price.

This stock price rally without much trading volume is not sustainable. In fact, this is the time to sell your stock to these bullish investors who are willing to pay a premium. When these bullish investors' appetite is full, the stock will see a correction. Even Shopify stock is trapped in the [megaphone trend](#), as investors are divided on the stock price. While one set of investors believe the stock is overvalued, the other set of investors believe the stock is undervalued.

Foolish takeaway

Encash some profits while Lightspeed stock trades above \$60 and buy when it falls below \$60.

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Author

pujatayal

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