



Lightspeed POS (TSX:LSPD) Is up 550% Since March: Is There Any Upside Left?

Description

It's hard to find a stock that's [hotter](#) than **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), which now finds itself up just over 550% from its lows of March. The explosive surge was unprecedented, but so too was the approximately 75% implosion in the stock back in the dark days of February and March, when there was so much fear in the market that Mr. Market decided to mark down everything, including stocks that seemed like they'd perform well in a pandemic.

I've been pounding the table on Lightspeed POS stock for most of the year, urging investors to ignore the bears and to continue accumulating shares, as they were likely to bounce back to their pre-pandemic highs. It seemed incredibly far-fetched to think that a stock could stage a full recovery from a 75% implosion within a year or two.

Fast forward to today, just over nine months later, and not only has Lightspeed stock fully recovered, but the stock has also broken out in a big way, with LSPD shares now sitting up over 60% from its pre-pandemic all-time high. Shares seem to be showing no signs of slowing down, and if you took my advice to buy the stock over the first 11 months of the year, you're likely sitting on a huge gain, potentially a multi-bagger.

The company also announced an intriguing acquisition, [as I predicted](#), with restaurant management platform Upserve, further bolstering the firm's omnichannel restaurant offering. The deal is reportedly worth around \$430 million. I think Lightspeed POS walked away with a real bargain, given Upserve is likely worth a heck of a lot more in the hands of the incredible managers at Lightspeed.

How's the risk/reward tradeoff looking these days?

While I'm still a raging bull on Lightspeed POS the company over the long run, the valuation, I believe, has now surpassed my intrinsic value estimate. While the momentum could continue going into year's end, I'm no longer a fan of the risk/reward tradeoff and would discourage investors from chasing the stock now that's going parabolic. The stock now trades at over 31 times sales, making it one of the frothier growth stocks out there.

If you missed the boat and feel a bit of FOMO (fear of missing out), I'd say it's a wiser bet to move on. And if, like so many other hungry investors, you're keen on the early-stage, commerce-enabling firm that could lead the omnichannel revolution, add the stock to your radar and scale in on dips, which I think could present themselves over the coming months on a broader market pullback in the hottest COVID-19 beneficiaries.

Lightspeed POS stock is coming in way too hot, and the stakes have become unreasonably high

While there are few, if any, dents in Lightspeed's armour, as a value-oriented investor, I fear that Lightspeed could easily see its share price get cut in half before it can sustain its next upward run. With a bar that's been set so high by investors, I worry that the stakes are too high for new investors who cringe at the thought of a double-digit percentage drop in a stock.

It's an incredible company with equally incredible long-term growth prospects. The valuation? It's a tad too frothy for my liking. Add the name to your radar and get ready for a better entry point.

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