I Said This Stock Would Double: It's 100%

Description

Well, I am pretty pumped about a stock I said would double in 2020. Way back before the March crash, I wrote about a stock, **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD), and the fact that it could double in 2020. When I wrote that article, it was trading at just over $30 a share. At the time of this writing, the stock is well over $70.

Although there were some scares during the March stock market crash, the stock has still done quite well. If you'd bought it around $10 when it was at its lows, you are truly laughing all the way to the bank. I didn't, unfortunately, as I already felt I had enough shares at the time. If you did, you are sitting at around a 700% gain in your shares.

Is it still a good buy today?

Given the fact that this stock has already climbed so high this year, is it reasonable to assume that it will continue to rocket higher in the years ahead? There are a number of things to consider in this respect — factors that were not a consideration almost a year ago.

Stocks are very expensive in general, for one thing. This fact makes investing in stocks right now far riskier than they were when the economy appeared somewhat better.

Furthermore, Lightspeed focused strongly on service sectors such as hotels and restaurants. Before the global economy came to a screeching halt, these sectors were growth areas for the company. Now, the same businesses are liabilities. Of course, the company is increasing its retail exposure to mitigate exposure to the hospitality sector.

Now, the good news

Revenue in the second quarter grew 62% year over year. Payments revenue alone grew 300% over the period. In fact, Lightspeed's business model is more appealing to me than other online-based businesses. When the pandemic lockdowns end and we get back to a semblance of normal, other online businesses may lose part of their market share. Lightspeed, however, will continue to benefit from a boost in hospitality revenue as those companies come back.

The only aspect of this business that scares me is the $19.5 million net loss it posted in the quarter. Although the company is in growth mode, I still get a little worried when I see losses on the earnings reports. Nevertheless, the loss was primarily attributed to one-time items, so hopefully, that starts to turn around as the company matures.

The company is also very active in its growth objectives through acquisitions. It recently acquired the U.S.-based cloud commerce company ShopKeep to expand its presence in the United States. It also recently announced that it acquired Upserve to expand its restaurant point of sale business at a cost of around $430 million in cash and stock.

The bottom line

I like Lightspeed's industry, its business model, and the future growth potential. Q2 2020 earnings proved that it is still growing in spite of a tough economic environment. Nevertheless, it is a very expensive stock trading at a high valuation. That could mean some volatility going forward.

Personally, I am going to hang on to my shares and see what happens. I only ever put a small amount into these growth stocks, so an outsized potential return is far more appealing to me than the possibility of limited loss. You could still get in at these prices, as long as you know that there is definitely downside risk in the name.

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