



Forget Bitcoin and Short Squeezes: This Growth Stock Is Backed by Fundamentals

Description

Last week took the stock market by storm. The fundamentals went for a toss, as Redditors assembled and targeted unpopular stocks that hedge funds mostly short. These retail investors forced hedge funds to cover their losses through [a short squeeze](#). Before January, there was the Bitcoin frenzy, as hedge funds poured in millions of dollars on this cryptocurrency. These short-term frenzies were not running on fundamentals but speculation. If you are lucky enough, you made a huge profit or suffered a huge loss.

Why am I pessimistic about the short squeeze?

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) stock more than tripled between January 1 and 27 to a 10-year high of over \$30. Looking at BlackBerry's fundamentals, it will take the stock another six to 10 years to cross the \$30 mark and maintain it.

If you'd bought the stock during this rally, which no news or business contract could justify, then you might have lost, as the stock fell 40% by January 29 to \$18.8. This is what a short squeeze does. It's a pure gamble. Those who bought the stock at its fundamentally right valuation of \$10 were in the money during this entire frenzy. Don't get swayed by these short-term tricks.

Amid this short squeeze, **Shopify** CEO Tobias Lütke tweeted, "Reminder that short-and-distort sellers don't build anything. Companies build things. The people in them build things." Shopify has built its stock price to what it is today. Just like Shopify, there is another high-growth stock that has surged more than seven-fold in less than a year and has even justified its rally with revenue growth.

A high-growth stock that justifies a seven-fold rally

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) stock surged 625% from its March 2020 low, as the pandemic accelerate its growth. The company provides omnichannel commerce solutions like order, delivery, marketing, payment, and inventory. Its target audience is small- and medium-sized

businesses (SMBs) in the retail and hospitality sectors.

Before the pandemic, the stores didn't feel the need to have a digital presence. Those who did have a digital presence had a legacy on-premise software. But the pandemic created the need for a cloud-based omnichannel presence, wherein retailers could run multiple stores from one location, given the lockdown rules. Customers wanted services that maintain social distancing like curbside pickup, online shopping and payments, and order ahead.

Lightspeed accelerated its development cycle and introduced a platform that caters to these needs. It introduced eCom for restaurants, Order Ahead, Lightspeed Subscription, and pushed Lightspeed Payments. The company saw a reversal in its churn rates, as stores and restaurants reopened in the COVID-19 economy.

Lightspeed also accelerated its push into the United States. The company listed on the New York Stock Exchange and acquired ShopKeep and Upserve. All this happened in nine months, during which its revenue surged 60% compared to last year. The two acquisitions will add about US\$90 million in annual revenue. Add the organic revenue to it, and Lightspeed revenue more than doubled in 2020.

Does Lightspeed stock has more growth potential?

Lightspeed is a high-growth software-as-a-service (SaaS) stock, and the apt way to value such stocks is through their revenue growth. The stock is trading at 68 times its sales per share. This is a high valuation, but wait till the company releases its fiscal third-quarter earnings on February 4. These earnings will include the revenue from ShopKeep and Upserve.

Lightspeed guided revenue of up to \$47 million for the fiscal third quarter, representing a year-over-year growth of 45.5%. But the company has a history of outperforming, and there is a high possibility that its revenue will surge 50% to \$48.5 million or more. Moreover, the two new acquisitions will increase its revenue by another 50% or above. The high sales per share will correct the high valuation.

The biggest challenge for Lightspeed is to increase its revenue this year as the pandemic impact fades. One question that all e-commerce stocks face is, how does the growth look in the post-pandemic economy? Lightspeed is looking to face this challenge with its new [Suppliers Network](#).

Investor corner

Lightspeed stock may not be able to replicate its 600% rally, but it will grow through innovation and acquisition.

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