



Can Lightspeed Stock Continue its Light-Speed Parabolic Ascent?

Description

Among Canadian technology stocks, **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) has provided some pretty impressive growth in recent years. Indeed, this is an outperformer I think investors need to keep their eye on right now.

The question is: how high can this stock go? What's the upside limit? Can this stock continue to grow at light speed? (I had to do it!)

Revenue growth the main story investors focused on

This is a company with a very impressive track record of top-line growth since inception. The company has posted impressive revenue growth of 62% year over year this past quarter. Indeed, these kinds of results have attracted a swath of growth investors to Lightspeed of late.

We know this company's growth profile is great. So, how do we value this company?

Since most analysts think this is a company that is still a few years away from producing meaningful earnings, it's hard to value on the basis of fundamentals. When a company doesn't have meaningful bottom-line results, valuations can often vary based on long-term forecasts. Indeed, a price-to-sales ratio in excess of 50 is pricey. Really pricey. Herein lies the potential for downside risk, if a revaluation of these astronomically priced stocks takes place.

Downside risk exists, so trade carefully

This is a bit of a speculative play in the tech space, so I'd caution investors to keep allocations small to companies like this. In particular, when valuations are at these levels, the stock price appreciation we could see with this stock is liable to be revalued on any sort of weakness in this sector or bad news.

In particular, I'd caution investors that Lightspeed's Q3 earnings will be reported tomorrow. Investors will have their eye on how well Lightspeed performs in terms of the revenue guidance it has given. The

company has [provided guidance](#) for year-over-year growth of around 45%. Accordingly, a hit or a miss on earnings will likely drive some volatility over the next few days.

Additionally, I'd like to point out that this is a stock that belongs in a TFSA-type investment vehicle. If you're bullish on the long-term growth potential with this stock, taking advantage of tax-free capital gains is the way to go. In my view, Lightspeed is only a stock one can own if they're highly bullish on this company's long-term potential. If one is worried about losses and favours a taxable account, this is not the stock to own, in my opinion.

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