Time to Get Up to Speed With Lightspeed POS (TSX:LSPD) Stock

Description

Lightspeed POS (TSX:LSPD)(NYSE:LSPD) shares have been ridiculously hot in 2020. The commerce-enabling up-and-comer collapsed over 70% during the coronavirus crash, only to recover all of the ground and then some by year's end. How many stocks can get cut in half twice only to make new all-time highs before the year ends?

Lightspeed stock's unprecedented rally out of those March lows may not be done yet, but the stakes have been raised, with a valuation that's not skewing heavily on the higher end of the historical range. But is it too late to get up to speed with Lightspeed POS? Or have shares gotten away from growth investors amid its epic run-up that seemed to happen at the speed of light?

Lightspeed POS stock blasts off

Shares of LSPD stock surged nearly 600% off its March 2020 lows before pulling back modestly to $90 and change, where the stock currently sits today. Shares suffered from a 12% correction before bouncing back modestly. The stock is now down 5% from its high, with its uptrend still intact. Although I'm still a huge fan of the firm's long-term growth story, I can't say that I'd be willing to pay north of 50 times sales (that's sales, not earnings!) to punch my ticket into the stock.

Like many other e-commerce kingpins (think Shopify), steep price-to-sales (P/S) are fully justifiable by the magnitude of forward-looking revenue growth. In numerous prior pieces, I remarked on the colossal size of Lightspeed POS's target market and that its product gave its traditional an easy "on ramp" to the digital realm. Amid the pandemic, even the most reluctant of retailers have had to embrace e-commerce technology or run the risk of being left behind, or worse, going under at the hands of the insidious coronavirus.

Is the stock long overdue for a vicious plunge?

I've praised Lightspeed POS stock during its bottom in March and through most of 2020. I'm not yet ready to reverse my stance on the name, even though its price of admission is a tough pill for valueconscious growth investors to swallow.

While a 50 times P/S multiple seems like too high a price to pay for any stock, I'd argue that the firm is likely to continue its winning streak through the latter stages of this pandemic. The top clients won by Lightspeed aren't going anywhere anytime soon. If anything, new clients will likely be sticking around for life, opening up a world of upselling opportunities for Lightspeed, which doesn't appear to be showing any signs that it's about to slow down anytime soon.

A Canadian growth stock that's worth paying up for

The company has an excellent CEO in Dax DaSilva, and I think his stewardship is worth paying a hefty premium for. In many ways, the Lightspeed growth story rhymes with that of Shopify's, as I've stated in numerous prior pieces. And like Shopify stock, I think Lightspeed POS has room to run, as it looks to become a household name in the Canadian tech scene.

The company has a strong balance sheet and enough dry powder to make further complementary acquisitions. Sure, Lightspeed stock is stupidly expensive. But it could easily get even more expensive as the appetite for speculative growth continues to surge.

If Mr. Market serves up a plunge for LSPD stock, I'd look to pounce on the dip. The company and its stock are moving at the speed of light and I just don't see either slowing down anytime soon.

Stay Foolish, my friends.

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