



How Much Higher Can Lightspeed (TSX:LSPD) Stock Go?

Description

In just 12 months, shares of **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) have risen by more than 170%. The top tech stock has not only outperformed the TSX and its lowly 3% return during that time frame, but it has even done better than **Shopify**, which is up over 150%. Shares of Lightspeed are trading around all-time highs, and many investors might be wondering if the stock has gotten too expensive to buy. Let's take a look at why it is doing so well and how much higher it can go.

The company is coming off a strong earnings report

On Feb. 4, Lightspeed released its third-quarter numbers. Sales of US\$57.6 million were up 79% year over year, as the business benefitted from a bump in its top line as a result of acquisitions. During the period, the company closed on two purchases — ShopKeep and Upserve. Its revenue from these two companies totaled US\$8.3 million. On its own, Lightspeed generated US\$49.3 million in revenue. Even that would still be good for a year-over-year growth rate of 53% from the US\$32.3 million it posted during the same period last year. And the company continues to project more growth ahead, forecasting that for the fourth quarter, its revenue will fall between US\$68 million and US\$70 million.

Despite the challenges that the COVID-19 pandemic has created for many businesses around the world, Lightspeed still grew the number of customer locations it serves to 84,000, up 27% from a year ago. And if you count its acquisitions, the number of locations rises to nearly 115,000.

The one glaring blemish on the quarterly report was that Lightspeed was still deep in the red, incurring a loss of US\$42.7 million in Q3. A year ago, its loss totaled just US\$15.8 million.

However, when it comes to [growth stocks](#), investors are often willing to look past a poor bottom line, as long as the sales numbers look good.

Is Lightspeed stock near its peak?

Over the past 12 months, Lightspeed has generated US\$176 million in revenue — roughly \$222 million

in Canadian dollars. With a market cap of more than \$12 billion, it is trading at a price-to-sales multiple of more than 54. That's not a whole lot lower than [where tech giant Shopify is today](#) — at a multiple of around 58.

Shopify is one of the TSX's hottest stocks and one that's arguably not as risky as Lightspeed, which can be adversely impacted by the pandemic and if retailers have to shut down their businesses or go into lockdown. And if the business is riskier, investors are often not as willing to pay as large a premium for the stock.

For that reason, Lightspeed could be approaching a peak soon, if it hasn't hit one already. While Foolish investors might still be able to earn a good return from investing in the company, this is a stock that you will want to keep close tabs on given its hefty valuation. From concerns surrounding profitability and potential COVID-19 lockdowns, there are multiple items that could weigh on the stock in the near term.

However, if the economy does well and vaccines help keep COVID-19 cases down, then there will certainly be a lot more potential for Lightspeed's stock to rise in value this year and beyond.

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