



Lightspeed Stock Just Went Parabolic: Should You Chase?

Description

Whenever a **TSX** stock makes a parabolic move, Canadian investors are usually on [alert](#). Such moves are typically fuelled by incredible quarterly results or broader market trends. In any case, such companies that are firing on all cylinders, reaching new highs on the weekly or even daily, are not to be shunned, even by value-conscious investors who are reluctant to “chase” securities just because of past price movements.

Going parabolic at the speed of light

Just as the 52-week low list is not necessarily full of value, the names on the 52-week high list aren't all overvalued stocks that are just waiting to be corrected to the downside. Believe it or not, winners on the 52-week or all-time high list tend to keep on winning. But that doesn't mean the near- or medium-term trajectories will be smooth. In addition, some overbought stocks are very well overvalued and are overdue for a pullback. That's why investors must put in the due diligence before buying any security, regardless of how well or weak it's been performing!

Consider shares of **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)), a TSX stock whose chart has gone parabolic over the last few months, surging a staggering 23% over the past month alone and over 119% over the past six months.

Are the parabolic moves behind each growth gem sustainable or the beginning of an even larger move to the upside? Or could a painful pullback be on the horizon for those who dare “chase” them after their recent pops?

Lightspeed Commerce: What a run it's been for the e-commerce stud

Lightspeed Commerce, formerly Lightspeed POS, is quickly transforming into a household name, not just for Canadian growth-savvy investors, but also for growth investors in the U.S. The growth numbers

fuelling the early-stage commerce company's ascent are nothing short of incredible. Still, like most other fast-growers, every firm will eventually hit peak growth, and investor expectations will need to be reset accordingly.

After soaring, over 1,000% since its March 2020 low — and yes, I [encouraged investors to buy as LSPD stock collapsed](#) last year — I'm still not ready to change my tune on the name. It's continued to impress, and still has room to run as a \$21.4 billion company. In prior pieces, I praised CEO Dax DaSilva, urging investors not to bet against the man, even in the face of profound COVID headwinds. The man has proven himself and then some.

There's no sugar-coating the valuation, though. Lightspeed stock is expensive at nearly 60 times sales. Then again, the stock has been "expensive" on a price-to-sales basis for well over a year now. And if you took profits then, you missed out on continued gains. I view Lightspeed as a wonderful business that you should buy and forget. Mr. DaSilva has found a way to keep raising the bar, and those who took profits, as prudent as it may have been, missed out big-time.

Given how hard it is to get back in the stock, I wouldn't attempt to take profits to buy back later. It's just too hard unless you're a seasoned trader. While I'm not keen on buying after a 10-bagger move to nearly a 60 times revenue multiple, I'm also not keen on taking profits here.

The bottom line on Lightspeed stock

My takeaway? Let your LSPD stock ride. If you've got the risk tolerance, get skin in the game, but be ready to top-up on future pullbacks.

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Date

2025/07/23

Date Created

2021/09/06

Author

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