Lightspeed Stock: A Severely Oversold Growth Bargain to Buy and Hold

Description

After a turbulent start to the year, many Canadian growth stocks are off considerably from their highs at the hands of rate-hike jitters. Undoubtedly, investors have been hitting the panic button for most of the year with their high-multiple growth stocks. The higher the multiple, the greater the damage done to a name.

Indeed, unprofitable growth stocks may seem toxic at this juncture. Still, if you've got a long-term time horizon (of at least five to 10 years), it may be worth getting in front of these rapidly falling knives. But make sure you're ready to take a hit or two after you've picked up shares.

Why? Like it or not, Mr. Market doesn't know or care when you enter a stock. Indeed, many bottom catchers have been left disappointed when shares continue tumbling after they've loaded up. Double-digit percentage losses can rack up quickly, causing some investors to doubt their original theses. Indeed, even if one views a growth stock as undervalued, one will need to be willing to pick up even more shares on a further decline.

If you've got confidence in your investment thesis, you may even relish the moment a stock you've got drops even further into the abyss. Some growth stocks are down 20%, 30%, even well north of 50%. Due to a perfect combination of headwinds and near-term negative events, **Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD) finds itself down over 70% from its all-time high. It's a falling knife that's nicked many who've attempted to catch it over the past few months, as short-sellers added salt in the e-commerce company's wounds.

Lightspeed stock: Fresh off a brutal implosion, it's an intriguing dip buy

Given Lightspeed is still incredibly expensive on a price-to-sales (P/S) basis, I wouldn't dare get in, even though the stock seems like a compelling value, given its huge TAM (total addressable market) and the painful crash that's now behind it. Could the name fall further, as broader weakness in tech picks up? Sure, it could easily shed another 30% or so from these levels, especially if short firm Spruce

Point Capital adds to its short report.

The company is also not profitable, making the name tough to get behind now that it seems like valuation and real earnings matter more than ever. Indeed, the environment makes up for the speculative spree enjoyed in the early innings of this pandemic.

If short allegations prove baseless or slightly exaggerated, the relief bounce could be huge. In any case, LSPD stock is a great pick up for young investors who have decades to wait for a soured investment to recover.

My takeaway?

At the time of writing, shares of Lightspeed Commerce trade at around 14 times sales. That's still pricey. But for the type of e-commerce growth you're getting, the risk/reward seems incredibly attractive for young, venturesome investors looking for year-ahead upside with their TFSAs. The company has reported a wider per-share loss in two of the last four quarters. Indeed, such misses helped add negative momentum to the stock, as markets turned against growth, while shorts took aim.

The perfect storm may be closer to the end for LSPD stock.

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