



Why Lightspeed Stock Lost 16% in September

Description

Shares of Canada's fintech giant **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) are down close to 16% in the last month. In fact, at the time of writing, LSPD stock is trading 24% below its all-time highs.

There are several factors that have impacted Canada's growth stock in September 2021. The first is its steep valuation as Lightspeed is currently valued at [a market cap](#) of \$17.5 billion. In the last four quarters, Lightspeed's revenue stood at US\$301 million, indicating a trailing price-to-sales multiple of almost 66, making it one of the most expensive stocks on the TSX.

The ongoing volatility surrounding equity markets due to the fears of rising inflation rates and a slower-than-expected economic recovery as well as the ongoing **Evergrande** financial crisis have weighed heavily on LSPD stock.

The most recent impact on Lightspeed's stock can be attributed to a short-seller report by Spruce Point Capital. The investment firm released a detailed report where it expects LSPD stock to decline between 60% and 80% from current levels.

The report accuses Lightspeed of overstating its customer count by 85% and its GTV or gross transaction volume by 10% in its pre-IPO documents. Spruce Point Capital stated, "We question why Lightspeed reported '50,000+' customers up through November 2018, and then ceased customer count disclosures to investors when coming public in March 2019?"

Further, Spruce Point emphasized that Lightspeed's organic growth is decelerating, and its recent acquisitions are overvalued with no clear path towards profitability.

Is Lightspeed stock poised to trade lower?

Investors should note that Spruce Capital has a short position on LSPD stock, which means it will benefit immensely from a pullback in prices. While the allegations are serious, you need to take them with a pinch of salt, and it should not change your investment thesis, unless there is any substantial

information surrounding the news.

The only reason I would be concerned over Lightspeed is due to its sky-high valuation, which makes the stock vulnerable in a broader market selloff. LSPD stock has, in fact, risen 550% since its IPO in March 2019, crushing several indices in this period.

Lightspeed has acquired several companies in the last few months that have been highly accretive to top-line growth. In the June quarter, the company's sales more than tripled while organic revenue grew by 78% year over year. Lightspeed's point-of-sale solutions are now available at 150,000 retail and hospitality locations all over the world. It ended the quarter with a gross transaction volume of US\$16.3 billion, which was up 203% year over year.

What's next for investors?

Lightspeed is forecast to [increase sales by](#) 200.4% to US\$666 million in fiscal 2022 and by 33.4% to US\$889 million in 2023. While still unprofitable, LSPD is expected to narrow its losses from \$1.16 per share in fiscal 2021 to \$0.12 per share in fiscal 2023. The company expects EBITDA losses of \$35 million in the current fiscal year, which would account for around 7% of total sales. In 2021, EBITDA losses accounted for 10% of total sales, while it was 18% of sales two years back.

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