



2 Stocks I'll Hold Off Buying Because They Could Freefall

Description

Investors are awestruck by the TSX's resiliency, despite the recession-inflation threat of late. November could be the index's best month in 2021, considering two consecutive record-high finishes on the fourth and fifth trading day. Investors have a line-up of exciting prospects to choose from in the homestretch.

Sadly, **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) aren't included in the choices. The circumstances both are in right now could negatively impact the [growth stocks](#) and even trigger a freefall. I'd hold off buying or steer clear of them in the meantime.

A class-action lawsuit looms

Lightspeed Commerce had an explosive start to 2021 but has been sputtering in recent weeks. The share price soared to as high as \$158.93 on September 22, 2021, to push its year-to-date gain to 77%. However, the euphoria is over. As of November 5, 2021, the tech stock is down to \$90.92 — a 43% drop in six weeks.

An investigation is ongoing against the \$13.46 billion e-commerce Software as a Service (SaaS) platform for small and mid-size businesses or merchants. Spruce Point Capital Management released a report in late September 2021 alleging Lightspeed's "massive" overstatement of its customer count.

The investment firm added that there was an aggressive promotion of other misleading metrics to conceal poor revenue growth. On November 4, 2021, Lightspeed nosedived 28% to \$88.93 after management intimated zero sequential growth for Q4 fiscal 2022.

Gibbs Law Group is investigating Lightspeed for a possible misrepresentation and securities fraud. Another law firm, Levi & Korsinsky, has commenced an investigation on the beleaguered firm.

Meanwhile, the one-stop commerce platform for merchants reported revenue growth of 193% in Q2 fiscal 2022 (quarter ended September 30, 2021) versus Q2 fiscal 2021. Notably, the net loss grew

201% to US\$59.1 million year over year. Lightspeed founder and CEO Dax Dasilva said, “Lightspeed’s powerful commerce platform has helped our customers to not only survive the worst of the pandemic but thrive in the recovery.”

The financial results could be for naught in case the law firms filed a class-action lawsuit. Lightspeed shares could sink into the abyss. It would be a [nightmare](#) to current investors.

Overhaul at the top

Investors in Rogers Communications are standing on shaky ground, as the [infighting](#) between members of the Rogers family spilled into the Supreme Court of British Columbia. As chairman of the Rogers Control Trust, Edward Rogers removed five directors from the board, which his mother and sisters opposed.

On November 5, 2021, Justice Shelley Fitzpatrick ruled in favour of Edward Rogers. Thus, sweeping changes or an overhaul at the top could be forthcoming. Meanwhile, a lawyer for Mr. Rogers said no immediate changes to senior management would happen due to a pending application to the British Columbia Court of Appeal.

Regarding the telco stock’s performance, it’s been a poor showing so far in 2021. At \$58.95 per share, the year-to-date gain is only 1.92%, or 12% lower than its peak of \$66.34 on July 8, 2020. Somehow, investors have a cushion because the \$30.19 billion communications and media company pays a 3.39% dividend.

Wait for a resolution

Lightspeed Commerce and Rogers Communications might not have happy endings in 2021. It would be best to skip the stocks until there’s a resolution of the problems besetting them.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:RCI.B (Rogers Communications Inc.)

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