



Why Lightspeed (TSX:LSPD) Stock Just Plummeted 42%!

Description

It has been a challenging few months for **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) stockholders. In mid-September, short-seller Spruce Point Capital Management released a short report stating that it believed Lightspeed stock price could decline by 60-80%.

It believed that Lightspeed was making unprofitable acquisitions that were merely back-filling declining organic revenues. Similarly, it noted that Lightspeed may never have an end goal of profitability. Subsequently, Lightspeed stock fell 22% from \$157 per share to around \$122 per share where it flatlined.

Lightspeed has had two major drawdowns

Certainly, some of the points in the report were exaggerated. However, it made the market and investors very edgy about Lightspeed stock. I think the market was looking to see if comments in the short report were really true.

Last week, the company announced [second-quarter 2022 results](#). Gross transaction volumes (GTV) and net revenues grew year-over-year by 123% and 193%! Not bad you might say. The cost was a net loss of US\$59.1 million – far worse than the market expected.

Lightspeed's outlook for the rest of the year was far weaker than analysts expected. Concerns around supply chain, hardware inventory issues, slowing growth, and its lack of profitability led the stock to collapse again! I guess it was a case of confirmation for pessimistic parts of the market.

Last week, the stock fell an additional 30%, in one day! Lightspeed stock has recovered some of the losses. However, at \$90 per share, it still trades far below its previous highs.

Is Lightspeed stock a buy here?

Given the massive volatility and variability in operations, I think I would avoid Lightspeed stock at the

moment. With a market cap of \$13.47 billion, Lightspeed stock still trades at 23 times sales. By no means is it cheap yet. Likewise, with concerns about extended lack of profitability, it could continue to face massive drawdowns if it can't beat the market's expectations in the future.

One payments stock I'd buy over Lightspeed today

If you do like the payments space and are looking for a replacement [growth stock](#), **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) does look more attractive. Unlike Lightspeed, this stock has consistently demonstrated improving profitability ever since its initial public offering (IPO) last year.

In fact, it just released third-quarter 2021 results. Total payment volumes increased 88% to \$21.6 billion! Revenues expanded year-over-year by 96% to \$183.9 million. The best part is it produced \$28 million of earnings! Adjusted EBITDA grew in the quarter by 97% to \$80.9 million! That is a 44% adjusted EBITDA margin and a pretty impressive metric.

Unlike Lightspeed, Nuvei actually raised its financial outlook for 2021. It projects revenues to come in between \$717 million and \$723 million. That is an increase of 4%. The adjusted EBITDA guidance was also raised by around 6% to a range of \$312 million to \$316 million. Further, Nuvei continues to target +30% growth in the medium-term and 50% adjusted EBITDA margins over the long term.

While Nuvei stock dropped 3.8%, the outlook still looks very positive for this stock. Like Lightspeed stock, it is not [cheap](#). It has a price-to-sales ratio of 28. Yet, it is fast-growing stock and is also profitable. As it scales, it will become even more profitable. Consequently, I would be looking at this high-growth stock over Lightspeed right now.

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2. Tech Stocks

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3. TSX:LSPD (Lightspeed Commerce)
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Date

2025/08/27

Date Created

2021/11/10

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