



Why Lightspeed (TSX:LSPD) Stock Fell 3.45% Last Week

Description

Last week was a losing week for **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)). Falling 3.45%, it underperformed the broader market. LSPD stock has been taking a beating for quite some time now. Last month, it was the victim of a short attack and a scathing research report that accused it of shady accounting. Later, it delivered earnings that showed growing losses. While Lightspeed is still an ultra-fast growth company, it is struggling with profitability and testing investors' patience. In this article, I'll explore a few factors that may have contributed to Lightspeed's 3.45% selloff last week.

Disappointing earnings

The most obvious factor contributing to Lightspeed's 3.45% selloff was its [disappointing Q3 earnings release](#). In it, the company delivered

- \$133 million in revenue, up 193%;
- A net loss of \$59 million compared to \$19.5 million a year before; and
- -\$8.7 million in adjusted EBITDA, 6.5% of revenue, compared to 6.2% of revenue a year before.

As you can see, LSPD's losses increased in the third quarter, not only in absolute terms, but also as a percentage of revenue. Sure, the company delivered incredible revenue growth, but costs grew even more. So, the company's financial performance deteriorated overall.

A short attack

Another factor that may have contributed to LSPD's stock price decline is a [short report that absolutely savaged the company](#).

In a report titled "*Putting the Brakes on Lightspeed*," **Spruce Point Capital** accused LSPD of various misdeeds, including

- Aggressive revenue recognition;

- Making worthless acquisitions;
- Ceasing to report metrics when they stopped flattering the company; and
- Having suspiciously strong revenue growth in 2020, a period when most of the company's competitors' revenue declined.

The above is just a brief sampler of the claims made in Spruce Point Capital's report, which was 125 pages long and full of serious-sounding accusations. Lightspeed responded to the report a few days after it published, but its rebuttal didn't amount to much more than "Spruce Point has a financial interest in seeing our stock go down." It's true that Spruce Point is short LSPD, but the company didn't have much to say to say about the substantive points in the short report. That combined with the disappointing earnings may have contributed to last week's selloff.

Foolish takeaway

Lightspeed stock, despite its recent tumble, is still up massively from its 2019 IPO. With a 300% gain in two short years, its results speak for themselves. However, investors who got into the stock recently have seen pretty abysmal results. LSPD has been tanking ever since the short report came out, with the Q3 earnings release leading to a fresh new selloff. Lightspeed might yet walk off the damage it has taken, but it will have to work to get its costs under control and perhaps address the accounting irregularities. It looks like investors are taking an increasingly critical look at this company.

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