



Why Lightspeed Stock (TSX:LSPD) Continues to Drop

Description

It seems as if there should be some end to the drop in **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)). Yet Lightspeed stock continues to [plummet](#), reaching almost 52-week lows this week. So what exactly is going on that continues to cause the stock to drop?

Lawsuits

The deadline for a number of class-action lawsuits aimed at Lightspeed stock seems to be the main driver of the downward spiral. There are several class actions out at the moment, and each is related to the short-seller report from back in September.

In the report, Spruce Point Capital Management alleged that Lightspeed stock was not forthcoming with how its business was really doing. This is what the several lawsuits claim constitutes those who bought the stock should be able to claim damages.

The short-seller report

The class-action lawsuits all focus on the same thing. For the period between September 11, 2020, and September 28, 2021, Lightspeed stock management "...made materially false and misleading statements regarding the Company's business, operations, and compliance policies," according to a statement by the law offices of Frank R. Cruz.

“Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Lightspeed had misrepresented the strength of its business by, *inter alia*, overstating its customer count, GTV, and increase in ARPU, while concealing the Company’s declining organic growth and business deterioration; (ii) Lightspeed had overstated the benefits and value of the Company’s various acquisitions; (iii) accordingly, the Company had overstated its financial position and prospects; and (iv) as a result, the Company’s public statements were materially false and misleading at all relevant times.”

These points were all brought up in the Spruce Point report back in September. To get even more [specific](#), the report stated that the customer count was overstated by 85%. Further, it stated that its gross transaction volume was overstated by 10%. Spruce Point also alleged the company spoke with Lightspeed stock employees. Those employees not only said the business seems to be deteriorating, but that escalating costs lead to “...no clear path to profitability.” Especially after a slew of acquisitions.

What should investors do?

The important thing to note here is that none of this has been proven yet. Spruce Point Capital Management made a lot of claims against Lightspeed stock. It also brought up some good points that the company may have stretched itself too far, too soon. Fine, but there is no proof yet that the company misled investors.

That said, these lawsuits could very well prove one way or another what Lightspeed stock did and didn’t know this last year. And until then, the company certainly has a stink on it. It could be that shares continue to plummet while these lawsuits are underway. And the way it’s been trending downward, that looks likely.

Shares of Lightspeed stock are [down](#) 60% as of writing, trading at \$68 per share. The company dropped 30% after the short seller report, after reaching all-time highs of \$166 per share. Analysts set a one-year target price of \$125 as of writing.

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