



Why Lightspeed Commerce Stock Fell 40% in 2021

Description

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) has exploded in popularity with the pandemic, along with other e-commerce stocks. Its high demand has resulted in increased revenue, allowing the company to expand into the e-commerce space, rather than just on its payment platform and through acquisitions.

Lightspeed was once considered the new **Shopify**, and that speculation alone was enough to make it a robust growth stock.

Yet after experiencing a meteoric rise, Lightspeed experienced a tumultuous downfall, not only because of the declining popularity of e-commerce but also because of a short-seller attack on its business. Immediately after the publication of this report, the value of Lightspeed stock fell 21% in one day from \$160 to \$126. The stock has since fallen steadily and is now trading around \$51.



Short-seller report and losses hit the stock

[In September, Spruce Point Capital Management released](#) a report accusing Lightspeed of lacking transparency in revealing key information while overstating its growth prospects. The short-seller said that the financial and competitive reality is less rosy than the company stated, and that its share price is clearly overvalued. Additionally, Spruce Point said the acquisitions were not performing as well as the company had reported. This caused Lightspeed stock to fall by 30%. The company responded immediately and pointed out that the short-seller report distorted the facts, and it would benefit from Lightspeed's downfall.

Lightspeed then released an earnings report that saw losses climb to \$59.1 million. Despite a 193% year-over-year increase in earnings, a massive selloff in stocks ensued. Lightspeed stock is now down 68% from historic highs. This also came from Lightspeed saying the next quarter could be hampered by supply chain disruptions for the company and its traders.

More room to grow for the tech company

Lightspeed has made a name for itself as a point-of-sale system used in stores and restaurants. However, it has since expanded to an e-commerce platform. Additionally, it has invested in expansion through a field-and-launch approach that has seen it reach over 100 countries.

Yet Lightspeed is a long way from capturing the market share of the e-commerce industry. Plus, it's new to the e-commerce industry compared to some of its much bigger peers. But it is catching up, and this comes first of all from the takeover of companies already anchored in the industry.

Lightspeed has completed over \$2 billion in acquisitions from January 2020 to now. These acquisitions ranged from its initial focus on the restaurant and retail industry to data analytics for e-commerce

companies.

Still, there is more room to grow, and that could mean more money to spend. Other e-commerce companies have distribution networks, for example, which Lightspeed currently lacks. This could seriously help its current problems with supply chain disruptions.

Lightspeed stock should rebound in 2022

While the next two quarters may continue to see volatility, Lightspeed should then rebound. It has been like a right of passage for Canadian [tech stocks](#), seeing an attack on their popularity causing stocks to fall, only to rebound once again.

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