



Why Is Lightspeed Stock Down Over 8% in 2022?

Description

Tech stocks have continued to underperform the broader markets in 2022. Investors were initially worried about the steep valuations surrounding tech stocks. Further, the threat of rising interest rates and the emergence of the Omicron variant, in addition to higher inflation numbers, have also contributed to the ongoing pullback.

Canadian [technology stocks](#), including **Shopify**, **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)), **Docebo**, and **Nuvei** are currently trading 35%, 71%, 40%, and 52%, respectively, below their record highs. Lightspeed has, in fact, burnt significant investor wealth in the last four months after a scathing report from noted short-seller Spruce Point Capital accused the fintech giant of misleading investors.

The underperformance continued in 2022, as LSPD stock has lost close to 9% in the first two weeks of this year. Let's see if it can stage a comeback going forward.

Lightspeed is wrestling with sluggish organic growth

Lightspeed has expanded its top line at a stellar rate. Its revenue has risen from just US\$57 million in fiscal 2018 to US\$221 million in fiscal 2021 that ended in March. In the last 12 months, its sales have touched US\$389 million and more than tripled year over year in the last two quarters.

Restaurants and retail businesses account for the majority of Lightspeed's customer base. These companies saw a significant sales decline amid COVID-19, which rebounded in the second half of CY 2021. Further, Lightspeed has also aggressively acquired companies including ShopKeep, Vend, NuORDER, and Upserve in the last 15 months, resulting in widening sales.

LSPD reported revenue of US\$133 million in Q2 of fiscal 2022, 47% of which can be attributed to the acquisitions. It suggests Lightspeed has masked tepid organic growth with an acquisition strategy that drove the stock to all-time highs.

What's next for LSPD stock?

Lightspeed ended fiscal 2021 with 119,000 customers compared to 49,000 in fiscal 2019. Its average revenue per user (ARPU) has risen to US\$270 in fiscal Q2 of 2022, up from US\$170 in the year-ago period. While it's essential for Lightspeed to expand its customer base, the fintech heavyweight can also grow sales by increasing its ARPU over time.

In fiscal Q2, LSPD sales increased by 193% year over year. Its transaction-based revenue was up 320% at US\$65 million while gross transaction volume stood at US\$18.8 billion. However, the company's [adjusted EBITDA loss](#) expanded to US\$8.7 million from US\$2.8 million in the year-ago period.

While Lightspeed reported stellar numbers in Q2, it disappointed with its less-than-impressive guidance. LSPD forecasts sales between US\$140 million and US\$145 million in fiscal 2022 in Q3, which would indicate sequential growth of just 7%. For fiscal 2022, sales are forecast between US\$520 million and US\$535 million, which suggests sequential growth would be negligible in Q4.

LSPD stock is valued at a forward price-to-2022 sales multiple of less than 10, given its [market cap](#) of US\$5.43 billion. It continues to trade at a premium valuation and might underperform peers if growth stocks remain under the pump.

However, the pullback allows you to buy a growth stock at a lower valuation, making Lightspeed the perfect contrarian bet right now.

CATEGORY

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2. Tech Stocks

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