# Why Lightspeed Commerce Stock Fell by 19% in February

**Description**

## What happened?

**Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD) continued to dive for the sixth month in a row in February, as it saw about 19.3% value erosion during the month. By comparison, the **TSX Composite Index** remained nearly flat in February, as it ended the month with a minor 0.1% gain. Previously in January, LSPD stock also tanked by 19.2%. With this, Lightspeed stock is now trading at $33.30 per share with nearly 35% year-to-date losses.



## So what?

There are two primary factors that have badly affected Lightspeed stock price movement in the last few months. In September 2021, a New York-based short-seller, Spruce Point Capital Management, severely criticized Lightspeed and its management in its report. The short report made several accusations on Lightspeed, including that it massively inflated its business pre-IPO, uses aggressive revenue reporting methods, and it has weak governance standards. The report also suggested that LSPD stock is overvalued "with 60-80% downside potential." While the short report failed to provide any clear evidence to support most acquisitions, it certainly managed to shake retail investors' confidence in the company, triggering a massive selloff in LSPD stock. This is the first and primary reason why Lightspeed stock lost nearly 64% of its value in the final four months of 2021.

The second reason that has been hurting LSPD stock lately is the recent tech sector-wide selloff that started in December 2021. Macro factors like worries about rising inflation and expectations of a tighter monetary policy prompted investors to pull out their money from high-growth tech stocks, which are usually considered risky. Also, investors' fears about tech stocks' lofty valuations gave more fuel to the tech meltdown. This tech meltdown affected not only Lightspeed stock but also its peers. For example, other tech stocks like **Shopify** and **Nuvei** have seen 56% and 42% value erosion, respectively, in the last three months. Lightspeed shares have gone down by about 52% during the same period.

# Now what?

While Lightspeed stock has gone through a massive selloff in the last few months, its financial growth trend continues to improve. In the December quarter, its total revenue rose by 165% year over year to US$152.7 million. During the quarter, the company reported an adjusted net loss of US$0.07 per share, reflecting an 82% improvement from a year ago and notably better than Street analysts' estimate of US$0.09 loss per share.

More importantly, its organic growth in software and transaction-based revenue was around 74% YoY in the December quarter, showcasing underlying strength in its business. These consistent growth factors could help Lightspeed achieve sustainable profitability sooner than expected, I believe. These are some of the reasons why Lightspeed stock has the potential to yield outstanding returns in the long term and looks highly undervalued right now, especially after the recent selloff.

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