



Why Lightspeed Commerce Stock Fell to its 2-Year Lows Last Week

Description

What happened?

There has been undeniably no respite for **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) investors. The stock drop that started last year gained momentum in 2022 on valuation concerns. So, the stock has declined to \$26 last week from \$165 levels, implying an approximately 85% drop in just six months.

So what?

Growth stocks took a big plunge this year on higher interest rates expectations. Russia-Ukraine tensions have only added to the uncertainties and exacerbated the current [inflation](#) situation. So, growth stocks like Lightspeed Commerce have felt a bigger impact.

The Bank of Canada raised its benchmark interest rates to 0.5% early this month to tackle the rising inflation that has reached a three-decade high. The U.S. Fed is also expected to raise rates this week after the pandemic pushed them to near-zero levels.

When rates increase, growth stocks' future growth is discounted at a higher rate, making them worth less. That's why growth stocks like LSPD have been trending sharply lower this year. It's not only LSPD; many Canadian tech stocks have also been weak in 2022. The tech titan **Shopify** stock has lost 60%, while **Nuvei** has fallen almost 15% so far this year.

Lightspeed is a loss-making company at the moment. In the last 12 months, it reported a net loss of US\$216 million on total revenues of US\$484 million. Investors perceive these as risky assets, which take a beating as broad market uncertainties increase.

There were no company-specific adverse developments of late that pushed the stock to multi-year lows. In fact, Lightspeed's fiscal third-quarter numbers came in line with the analyst expectations. Moreover, the company management increased its revenue guidance for the year. Lightspeed now

expects revenues of approximately US\$542 million in fiscal 2022 — an increase from its previous outlook of US\$527 million.

Its quarterly numbers and [upbeat outlook](#) pushed the stock up in the short term. However, it was unable to hold onto the gains and withstand the pressure in the broader markets.

Lightspeed started its weak streak when the short-seller Spruce Point Capital Management released a short report in September last year. While many accusations in the report were ambiguous, its damage was massive.

Now what?

LSPD stock does not seem ready to [rebound](#) at the moment. With broad market volatility and rising rates, the stock could trade weak and within the range. Interestingly, if we see rates rising beyond expectations, LSPD could then see even more weakness brewing.

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