



Why Lightspeed Stock Fell 4% Last Week

Description

Shares of Canadian fintech giant **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) fell by 4% in the last week. LSPD stock inched lower due to broader level market weakness, which suggests investors have lost 37% in 2022 and almost 80% in the last six months.

Lightspeed Commerce derives revenue from the sale of hardware POS (point-of-sale) devices to small and medium enterprises primarily part of the retail and restaurant space. It then charges fees on these transactions and provides subscription-based software services as well.

Lightspeed Commerce has increased sales from US\$77.45 million in fiscal 2019 to US\$221.72 million in fiscal 2021 (ended in March). In the last 12 months, the company has reported sales of US\$484.2 million.

A majority of its top-line growth can be attributed to acquisitions. In the last 18 months, Lightspeed has pumped in millions of dollars to acquire companies such as Vend, Upserve, ShopKeep, Ecwid, and NuORDER.

Last September, [a short-seller report](#) from Spruce Point Capital sent LSPD stock spiraling downwards. Spruce Point claimed Lightspeed has overstated its customer count as well as gross transaction volumes in its pre-IPO documents.

The report stated, “We question why Lightspeed reported ‘50,000+’ customers up through November 2018, and then ceased customer count disclosures to investors when coming public in March 2019?”

Further, according to Spruce Point, Lightspeed’s organic growth is slowing, and its recent acquisitions have resulted in “escalating costs with no clear path to profitability.”

Is Lightspeed stock a buy now?

Lightspeed continues to grow at a stellar pace. It ended fiscal 2021 with a customer base of 119,000, up from 49,000 in fiscal 2019. Its average revenue per user also surged to US\$270 from US\$170 in

this period. Lightspeed completed the acquisition of Ecwid in Q3 of fiscal 2022 and ended the quarter with 315,000 locations.

The key catalyst for Lightspeed stock going forward is the ability of the company to expand its customer base. Alternatively, it can also generate solid revenue growth by increasing its average revenue per user.

In Q3 of fiscal 2022, Lightspeed reported revenue of US\$152.7 million, an increase of 165% year over year. Its subscription sales rose 123% to US\$68.6 million, while transaction revenue stood at US\$75.8 million, up 249% year over year.

Lightspeed reported an adjusted loss of US\$9.9 million, or US\$0.07 per share, accounting for 6.5% of sales. In the year-ago period, its adjusted losses accounted for 15.9% of sales.

We can see that Lightspeed continues to grow at an enviable rate, making it one of the most compelling stocks on the TSX. But let's see if its valuation remains attractive.

What's next for LSPD stock?

Lightspeed stock is valued at \$3.8 billion [by market cap](#) and is forecast to report sales of \$682 million in fiscal 2022, an increase of over 200% year over year. Its sales are estimated to grow by 34% to \$914.4 million in fiscal 2023. While still unprofitable, Bay Street expects LSPD's adjusted losses to narrow from \$1.16 per share in fiscal 2021 to \$0.29 per share in fiscal 2023.

It suggests LSPD stock is valued at a forward price-to-2023-sales multiple of 5.2, which is quite reasonable given its growth forecasts.

Analysts tracking LSPD stock have a 12-month average price target of \$75, which is 135% above its current trading price.

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