



Losses From Lightspeed Commerce and Air Canada Stocks: Here's How to Recoup Them

Description

The Bank of Canada [increased](#) the interest rate by 50 basis points and began pulling back stimulus money from the market. The fear of accelerated interest rate hike created panic among hedge funds, and they [booked profits](#) in [tech stocks](#). This has pulled tech stocks to pre-pandemic levels. If you bought **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) during the pandemic rally or **Air Canada** ([TSX:AC](#)) before the pandemic, you are probably sitting in deep red.

Managing portfolio risk

You can recoup your portfolio losses by doing one of three things:

- Staying invested
- Buying the dip
- Booking losses and investing money elsewhere.

Choosing one of the three methods to use depends on the stock, your entry point, the current market conditions, and your risk appetite. It is wise to book a loss if the stock doesn't have significant growth potential or if you purchased the stock at a very high price.

Recouping losses from Lightspeed stock

If you purchased Lightspeed for \$100 per share, you are better off booking a loss. Lightspeed is a [fundamentally strong](#) stock with good revenue growth prospects and a sound business model. It doesn't have much leverage on its balance sheet. But \$100 per share is not the right entry point.

The stock inflated to the \$100 level in the pandemic bubble when investors poured free stimulus money into the market. Lightspeed's founder took advantage of the inflated valuation to raise equity and make strategic acquisitions to accelerate growth. These acquisitions have diluted shareholders' interest. Hence, a correction was imminent.

But a report by Spruce Point Capital that Lightspeed inflated its customer count and hid its churn rate pulled the stock down 60%. Then followed a tech selloff from inflation and an interest rate hike, putting Lightspeed stock 82% below its all-time high of \$165.87. The stock is currently trading at \$28.58. If it has to reach \$100 for you to break even, it has to grow 250%, which could take at least five years if Lightspeed sustains to grow revenue organically. You are losing money if you factor in inflation.

If you have made significant capital gains elsewhere, you could sell your Lightspeed shares at a loss and reduce your capital gain tax. That could probably bring you better returns by saving your tax money.

But if you own Lightspeed stock at the \$20-\$40 price range, keep holding the stock. You could also buy more on the current dip as the stock has bottomed out. It is trading at a price-to-sales ratio (P/S) of 7.5, which is cheap for a growth stock that is a key player in the booming market of omnichannel commerce. Its rivals **Nuvei** and **Shopify** are trading at 13.2 and 16 P/S ratios, respectively.

Recouping losses from Air Canada stock

You have to use a different strategy for Air Canada. The environment is not conducive for airlines. Warren Buffett sold \$6 billion worth of airline stocks in [April 2020](#).

“The world has changed for the airlines.”
Warren Buffett

As airlines have huge operating costs, they need to operate at full capacity for mid-single-digit profit margins. The pandemic grounded 90% of the global airline capacity and pushed AC into \$7.12 billion net debt and a \$3.6 billion net loss in 2021.

The future is challenging. The travel demand has improved but is still lower than the pre-pandemic levels. Moreover, the Russia-Ukraine war has shot up oil prices above US\$100/share. AC was profitable when the oil price was around US\$60/barrel, and it was running at full capacity. Its stock traded at around \$50.

AC stock has now lost 50% of its valuation. It is struggling to maintain the \$25 price in its current situation. Looking at Air Canada's weak fundamentals and bleak outlook, you are better off selling the stock for a loss. You can claim a capital loss and recoup your losses by investing in Lightspeed at its current price of below \$30. Even if you purchased AC stock at \$25, there is no point holding it for the long term, as its overall resistance fell from \$28 to \$25.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:AC (Air Canada)
3. TSX:LSPD (Lightspeed Commerce)

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