



The Breakout of 2 Hard-Luck Tech Giants Could Be Near

Description

The technology sector saved the TSX from ending in the red in 2020 with its whopping annualized return of 80.9%. In 2021, the sector (+18.3%) dropped to fifth place after energy (+41.8%), financials (+31.6%), consumer staples (+20.6%), and telecommunications (+19.1%). Only healthcare out of the 11 primary sectors had a losing year.

As of May 30, 2022, technology (-33.58%) is the second worst-performing sector after healthcare (-36.88%). The acknowledged leader, **Shopify**, is down by 72.06% year to date. Other tech giants like **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) also underperform.

However, the battered pair seems to be picking up steam after short-seller reports caused their share prices to plunge late last year. While LSPD (-32.95%) and NVEI (-17.45%) remains in negative territory year to date, the former advanced 11.49% in the last five days, while the latter gained 4.94%. With momentum on their side, a breakout could be around the corner.

Flagship offerings

Lightspeed, a \$5.1 billion one-stop commerce platform, had a forgettable fiscal 2022 (year ended March 31, 2022), despite the 147% and 218% growth, respectively, in total revenue and transaction-based revenue versus fiscal 2021. The net loss widened 132% to \$288.4 million compared to the prior fiscal year.

Nevertheless, management looks forward to a better fiscal 2023. In Q4 fiscal 2022, total revenue and transaction-based revenue rose 78% and 88% year over year, respectively. However, the net loss reached \$114.5 million compared to the \$42 million net loss in Q4 fiscal 2021.

JP Chauvet, Lightspeed's CEO, said, "Consumers are once again dining out and shopping in person, filling up restaurants and stores in cities and neighborhoods all around the world." He added that the shift back to in-person shopping and dining helped drive another strong quarter of operating performance.

Management sees its two flagship offerings as growth drivers. Lightspeed Retail is a groundbreaking retail commerce platform that unites advanced POS, payments, and e-commerce into one cohesive and powerful solution. Lightspeed Restaurant is gaining strong momentum.

Chief Financial and Operations Officer Brandon Nussey said, "As we look ahead, we are committed to our path to profitability and have the growth levers to get us there." Market analysts covering LSPD have a 12-month average price target of \$61.12, or a 78.45% gain from \$34.25.

Full-blast marketing campaign

Market analysts are bullish on Nuvei and recommend a buy rating. Based on their forecasts, the share price could climb between 58.1% (average) and 127.1% (high) in one year. The tech stock currently trades at \$67.68 per share. In Q1 2022, revenue and total volume increased 43% and 42% versus Q1 2021.

The good news for the quarter was the 35% and 40% year-over-year increase in adjusted net income and adjusted EBITDA, respectively. Notably, free cash flow increased 36% to US\$82.5 million. Nuvei launched its largest-ever marketing campaign in May 2022 completed to build greater brand recognition and awareness and drive new business.

For 2022, the \$9.56 billion payment platform projects total revenue between US\$940 million and US\$980 million. Last year, Nuvei's revenue topped US\$720 million.

Comeback trail

Lightspeed and Nuvei are on the comeback trail, which is good for the broader market. Either one could replace Shopify as the TSX's tech superstar.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:NVEI (Nuvei Corporation)

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Date

2025/08/18

Date Created

2022/06/02

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