



## Where Shorts Right About Lightspeed Commerce (TSX:LSPD)?

### Description

**Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) was one of the first casualties of the tech bubble in Canada. Long before the NASDAQ started crashing, LSPD went on a marked descent that continued until last month. In September 2021, Spruce Point Management released a short report that accused Lightspeed of various accounting misdeeds. The company's stock fell immediately afterward. In November, tech stocks as a sector began selling off, and Lightspeed got hit by the sector-wide selling. The result was a peak to trough decline greatly exceeding that of the average tech company.

The question is, were the shorts at Spruce Point right about Lightspeed, or did their report merely create a self-fulfilling prophecy? The timing of Spruce Point's short report suggests that there was some link between the release and the stock price crash. However, that doesn't mean that the shorts weren't right in the substance of what they said. In this article, I will explore whether shorts were right in their claims about Lightspeed Commerce.

### Spruce Point Capital's claims

In its 2021 short report, Spruce Point Management [claimed](#) that Lightspeed

- Aggressively recognized revenue;
- Selectively used or omitted non-GAAP metrics depending on whether they made the company look good;
- Overpaid for acquisitions; and
- Used acquisitions to mask slow organic growth.

It was quite the whammy of claims. And if Lightspeed's stock price post-report is any indication, Spruce Point was right about much of it.

### Lightspeed's stock price

LSPD stock peaked at \$158 in September 2021. By May 6 of this year, it had fallen all the way down to

\$25 for an 84% decline. [Technology stocks](#) in general have been doing poorly lately, but this is really something else. If you'd invested \$10,000 in LSPD at the peak, you'd have been down to \$2,600 by the bottom. The stock has recovered somewhat in recent weeks but is still hurting.

## Recent earnings results

The price momentum in Lightspeed stock this past year would seem to suggest that Spruce Point Management was right in its claims about the company. Generally, when a company becomes less valuable its stock price goes down, and LSPD stock has gone down dramatically. With that being said, this doesn't in itself prove that Spruce Point Management was right. Perhaps LSPD stock went down simply because Spruce Point's report dimmed sentiment. To investigate whether Spruce Point was right about Lightspeed stock, we need to look at its most recent earnings.

In its most recent quarter, Lightspeed delivered the following:

- \$146.6 million in revenue, up 78%
- \$70.5 million in subscription revenue, up 77%
- \$114.5 million net loss, worsened from \$42 million
- \$7.7 million in Ecwid revenue

That's pretty good growth. The worsening net loss is consistent with what Spruce Point claimed in its report, although it does look like the vast majority of LSPD's revenue growth is organic. With LSPD's net loss growing, it appears that shorts were right about the stock, at least in the short term. Perhaps eventually, all of the revenue growth will overcome costs. But for now, this stock is a dicey proposition.

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2. Tech Stocks

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