



## Lightspeed (TSX:LSPD) Stock Down 50%: Buy it Now?

### Description

The [technology sector](#) took a hard blow two days before the rate-hike announcement by the Bank of Canada. **Shopify** fell 8.85% on July 11, 2022, to lead the broad-based decline of the **S&P/TSX Composite Index**. The year-to-date loss of tech stocks has widened to 38.37% as a result of the drag.

Another tech giant, **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)), also took it on the chin, dropping 7.14% to \$25.48. Its share price rose to as high as \$158.84 in September 2021 until a short-seller report triggered a free fall. Unfortunately, rising interest rates and soaring inflation in 2022 are massive headwinds for tech stocks.

### Root of the underperformance

As of this writing, Lightspeed is down 50.12% year to date. The current share price is ridiculously cheap and a good entry point if you expect technology stocks to make a strong comeback. Management reported stellar revenue growth in fiscal 2022 and looks forward to vastly improved financial results in fiscal 2023.

The \$3.8 billion one-stop commerce platform for merchants was hurt by the allegations of a short-selling investment firm in a report published last September 2021. According to Spruce Point Management, Lightspeed misled investors about its financial health, including massive inflation of its customer base.

Lightspeed said the report was self-serving, and Spruce Point stands to benefit or profit from the unfounded allegations if the share price plunge.

### Return to an ideal environment

Lightspeed's CEO JP Chauvet said, "With the fear of further lockdowns currently abating, merchants and restaurateurs are operating in a more favorable environment where they can create new concepts, invest in technology and open new locations. This is an environment where Lightspeed will truly shine."

In fiscal 2022 (12 months ended March 31, 2022), total revenue increased 147% versus fiscal 2021, although net loss widened to US\$288.4 million. The year's highlights included the 218% and 147% growth, respectively, in subscription- and transaction-based revenues.

Management sees the return to in-person shopping and dining as a tailwind for the business. Other growth drivers include successful new product launches, the expanded availability of payments solutions, and a disciplined approach to Lightspeed's cost structure.

Brandon Nussey, Lightspeed's chief financial and operations officer, said, "As we look ahead, we are committed to our path to profitability and have the growth levers to get us there." Management expects to break even in adjusted EBITDA by the end of fiscal 2024.

## Repeat performance

Before the short-seller report came out, shareholders voted in favour of changing the corporate name. On August 6, 2021, Lightspeed POS Inc. became Lightspeed Commerce Inc. Management believed the change is appropriate in that it accurately represents the full scope of services the commerce platform provides.

Also, in March 2020, the share price fell to as low as \$12 due to the pandemic-induced market selloff. However, Lightspeed went on a roll and rose steadily from its COVID-low. Investors who held on to the stock, despite the sharp drop, didn't regret it. The tech stock delivered a 149% overall return for the year. A repeat performance is possible once the Bank of Canada achieves its target range for inflation.

### CATEGORY

1. Investing
2. Tech Stocks

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## Date

2025/08/28

## Date Created

2022/07/13

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