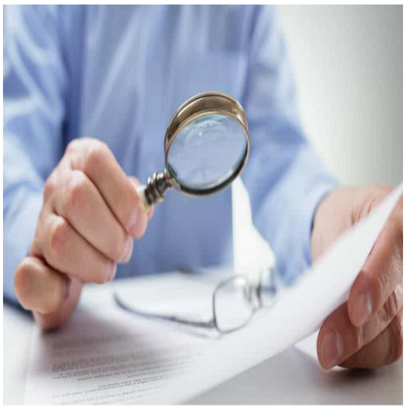

Lightspeed Commerce (TSX:LSPD): Worth Another Look?

Description

Lightspeed Commerce (TSX:LSPD)(NYSE:LSPD) is one of the many stocks that blew out when last year's tech bubble burst. The stock is down a staggering 85% from its all-time high of $159, trading for just $24. From the top to the bottom, it has been one of the worst-performing TSX tech stocks of the last two years. However, its selloff *this year* has actually not been as bad as certain other big name tech stocks.

In 2022, LSPD is down 52%, while **Shopify** is down 77%. If you'd bought LSPD at the start of the year and held to today, you'd have outperformed an investor who did the same with SHOP. In this article, I will explore LSPD's stock and whether it might be worth buying at today's prices.

Why LSPD stock fell

Lightspeed stock began falling earlier than other TSX technology stocks did. It got hit with a short report by Spruce Point Capital, who accused it of

- Aggressively recognizing revenue;
- Covering up low organic revenue growth with acquisitions;
- Paying too much for acquired companies; and
- Selectively picking and choosing non-GAAP metrics, reporting them when they flattered the company and dropping them when they didn't.

It was quite a flurry of allegations. Some of them are undeniably true; others are harder to prove. That Lightspeed was overpaying for acquired companies is obvious now: most tech acquisitions in 2020/2021 were overpriced by today's standards. The bit about aggressive revenue recognition requires a deeper statistical evaluation than I have space to do here, you can read Spruce Point's original report if you want to make up your mind on it.

Has anything changed?

Having looked at the factors that caused LSPD stock to fall, we can now ask: *Is LSPD a better buy now?*

Its valuation has certainly come down a lot. According to Yahoo Finance, LSPD today trades at 5.36 times sales and 0.92 times book value. These are not unreasonable multiples. However, “book value” includes goodwill from acquisitions. If Spruce Point was right about Lightspeed’s accounting practices, then the company’s book value may fall.

We can also look at the company’s most recent earnings release. For the fiscal fourth quarter, Lightspeed claimed the following:

- $146.6 million in revenue, up 79%
- $18.4 billion in gross transaction volume, up 71%
- A -$0.77 net loss per share, worsened from -$0.34

If you look at the metrics above, you’ll notice that some of them are vulnerable to the claims Spruce Point made in its report. The revenue growth, for example, is high, but does that count for anything if it was achieved by paying way too much to acquire other companies? Spruce Point capital would say “no.” LSPD’s managers might disagree.

What Lightspeed itself admits is that its net loss is widening. In the fourth quarter, the loss approximately doubled, which is a greater percentage change than the positive change in revenue. So, Lightspeed’s margins are negative and getting worse. Maybe at some point in the future, LSPD will lower its costs and achieve net income growth that matches its revenue growth. For now, though, its stock is a tough sell.

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