



## Sell Lightspeed Commerce (TSX:LSPD)? Net Loss Tops US\$100 Million

### Description

One of the **TSX's** prominent [tech stocks](#) could lose more investors before the year is over. The bloated net loss in the first quarter (Q1) of fiscal 2023 could trigger a selloff. It's unfortunate, because **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) has yet to fully recover from a short-seller report in 2021. Mounting losses could spell doom and dim the chances of a recovery.

As of August 19, 2022, Lightspeed trades at \$26.18 per share, a year-to-date loss of 48.75%. Note that the current share price came from a 52-week high of \$165.87. In the three months ended June 30, 2022, the net loss ballooned 104% to US\$100.7 million versus Q1 fiscal 2022. It might be a sign that it's time to ditch the tech stock before it hits rock bottom.

### Top-line growth

JP Chauvet, chief executive officer (CEO) of Lightspeed, said there was excellent market reception to two flagship offerings, Lightspeed Retail and Lightspeed Restaurant. The top-line quarterly results seem to validate his observation. Total revenue and subscription & transaction-based revenue grew 50% and 55% year over year, respectively.

While macro-economic conditions remain a major concern, Chauvet believes increasing the number of Customer Locations will present growth opportunities. Moreover, improving software adoption in the said locations and expanding gross transaction value (GTV) could provide multiple levers for Lightspeed to continue performing.

Asha Bakshani, Lightspeed's chief financial officer, said, "Our diversified business model continued to serve us well this quarter, with hospitality leading GTV growth." He added that Gross Payment Volume hit record levels during the first quarter, while software adoption in customer locations increased.

Bakshani is confident that Lightspeed is in a strong position to meet its financial commitments. Also, he expects the company to realize its goal of adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) breaking even or better in the next fiscal year. His forecast is most welcome, except that it's a long wait for investors.

## Potential downturn

The doubling of Lightspeed's net loss is concerning, although Chauvet said the business benefited from a return to pre-pandemic activities and shopping habits. Still, he's not disregarding a potential downturn saying, "We are not immune to macroeconomic conditions and are not downplaying the risks."

Chauvet added, "However, I believe it's important to emphasize that the return to in-person shopping and dining are positive influences for Lightspeed that should at least help to partially offset any challenging macroeconomic conditions." He believes that merchants are turning to technology to help them do more with less.

Further, Lightspeed's CEO said, "With supply chain issues and labour shortages causing disruptions in every industry, Lightspeed's technology can help merchants automate and simplify their operations, better manage their inventory and improve their profitability."

## Volatile tech stock

Tech companies, including Lightspeed, continues to experience declining valuations. The problem could compound if the economy enters a recession due to aggressive rate hikes by the central bank. Furthermore, investor exuberance diminished along with the lifting of COVID lockdowns.

Some market analysts are bullish and anticipate a massive rebound eventually. However, others see heightened volatility for Lightspeed. The \$3.89 billion one-stop commerce platform was badly hurt by allegations of financial reporting discrepancies. One market observer even said the tech stock isn't an investment but more of a trade.

Personally, because the stock has dropped by so much, but its customer and revenue growth are still looking strong, I would hold onto Lightspeed and wait for a potential recovery before selling.

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