# TSX Tech Giants Rise More Than 7%: Start of an Epic Comeback?

### Description

Soaring inflation and rising interest rates in 2022 have crushed the technology sector. Because of the twin headwinds, investors moved away from risky cryptocurrencies and growth-oriented companies. However, the badly-beaten sector helped the **TSX** end last week with a triple digit gain.

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**Shopify** (TSX:SHOP)(NYSE:SHOP) and **Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD) advanced 8.32% and 7.30%, respectively, on September 9, 2022. Crypto mining company **Hut 8 Mining** had the largest percentage gain for the day with 12.82%.

Growth investors have been waiting for an epic comeback from Canadian tech giants. Was Friday's performance the beginning of a long hard climb or just a flimsy, unsustainable rally?

## Serious threats

Shopify is arguably the most recognizable face of the TSX's technology sector. The stock delivered back-to-back returns of more than 180% in 2019 and 2020. But in 2021, the overall gain went down to 21.68%. The current share price is $45.31, although at one point in November last year, the price was nearly $214.

The tech phenomenon's freefall began in mid-February 2022 when management announced lower revenue growth for the year compared to the previous year. Total revenue (subscription and merchant solutions) in the first half of 2022 increased 19% versus the same period in 2021. However, net loss reached US$2.67 billion compared to the US$2.13 billion net income from a year ago.

Management expects this year to end differently, or more like a transition year for the commerce company. It adds that Shopify has reset to the pre-COVID trend line and anticipates higher inflation to persist for the foreseeable future. Rising interest rates will also put pressure on consumers' wallets regarding the purchases of goods.

Shopify hired Jeff Hoffmeister, a **Morgan Stanley** veteran, to sit as the new CFO effective October 27, 2022. Still, a new executive hire won't materially change the outlook for the tech superstar. Slowing ecommerce sales and rising costs are serious threats to the business. As of this writing, the stock's year-to-date loss is a staggering 73.99%.

## Challenging environment

Lightspeed Commerce is also in the red, but not as deep as Shopify. At $26.17 per share, the year-to-date loss is 48.77%. According to its CEO, JP Chauvet, there was excellent market reception to the company's two flagship offerings, Lightspeed Retail and Lightspeed Restaurant, in Q1 fiscal 2023.

Chauvet adds that the growing adoption of Lightspeed's payment solutions and the return to in-person shopping and dining are plus factors in fiscal 2023. Lightspeed technology can also help merchants automate and simplify operations, better manage inventory, and improve profitability, in the wake of supply chain disruptions and labour shortages.

In the three months ended June 30, 2022, total revenue, subscription revenue, and transaction-based revenue increased 50%, 47%, and 62% year-over-year. Lightspeed's net loss, however, widened 104% to US$100.8 million compared to the same quarter in fiscal 2022.

For fiscal 2023, management expects an adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) loss of US$10 million. Nonetheless, the company is confident about achieving Adjusted EBITDA break-even for the fiscal year ended March 31, 2024.

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## No epic comeback yet

The strong one-day gain of the Canadian tech giants was a sight to behold for growth investors. Unfortunately, challenging macroeconomic conditions persist. With interest rates still forecasted to rise, it might be a while before we see the glory days of tech again.

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