Why Is Lightspeed (TSX:LSPD) Stock Underperforming its Peers This Quarter?

Description

Shares of **Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD) have been underperforming most of its peers in the ongoing quarter. In the third quarter of the calendar year 2022 so far, LSPD stock has lost nearly 15.3% of its value against a 2.8% rise in the **TSX Composite Index**. Meanwhile, other Canadian growth stocks from the tech sector, like **Shopify**, **BlackBerry**, and **Constellation Software**, have risen by 4.8%, 9.5%, and 1.5%, respectively, this quarter.

Why has LSPD stock crashed in the last year?

If you don't know it already, Lightspeed Commerce is a Montréal-based enterprise software firm with its primary focus on providing omnichannel commerce solutions to businesses globally. Its cloud-based software platform mainly helps merchants to enhance customers' experiences and overall business scalability. The tech firm currently has a market cap of $3.7 billion, as LSPD stock trades at $24.30 per share with nearly 52.4% year-to-date losses.

In the last year, Lightspeed stock has seen 84.5% value erosion, making it one of the worst-performing growth stocks on the TSX. A massive selloff in LSPD stock started nearly a year ago at the end of September 2021, when a New York-headquartered short-seller, Spruce Point Capital, targeted Lightspeed and its management, claiming that the Canadian tech company massively inflated its business before its initial public offering (IPO) in March 2019.

Lightspeed's response to the short-seller

Lightspeed later tried to counter the short-seller's allegations by saying Spruce Point's "report contains numerous important inaccuracies and mischaracterizations which Lightspeed believes are misleading and clearly intended to benefit Spruce Point."

While Spruce Point's criticism didn't immediately make any major changes in Wall Street analysts' opinion about Lightspeed, it did seemingly hurt retail investors' sentiments by triggering a sharp selloff in LSPD stock.

Why it's underperforming its peers this quarter

At the start of 2022, the selloff in Lightspeed stock intensified further, as inflationary pressures led to a tech sector-wide meltdown. And to understand why LSPD stock has been underperforming most of its home market peers in recent months, we must take into account its financials. Unlike most other tech companies that I've mentioned in this article, Lightspeed is still struggling to reach sustainable profitability. In its fiscal year 2022 (ended in March), the company reported US$53 million in adjusted net losses compared to its adjusted net loss of US$122.5 million in the previous fiscal year.

While Lightspeed continues to make gradual progress towards its profitability, investors fear that surging inflationary pressures, rapidly rising interest rates, and a dimming economic outlook might intensify its struggle to reach profitability. This could be one of the key reasons why LSPD stock has underperformed most of its peers in the ongoing quarter.

Is Lightspeed stock worth buying now?

When analyzing a growth stock, it's always important to pay attention to the company's top-line growth trends and business expansion efforts. And if we look at Lightspeed's sales growth and rising demand for its commerce platform in recent years, we can clearly see the underlying strength in its unique commerce platform and its business model. That's why, if you're looking for a cheap growth stock to buy for the long term by avoiding short-term volatility, LSPD stock could be worth considering right now.

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Date
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