Shopify (TSX:SHOP) and Lightspeed (TSX:LSPD) Stock Look Way Oversold

Description

With cash becoming more expensive in 2022 due to tightening monetary policies by central banks, growth-oriented and non-profitable companies will take a hit to the chin. On the **TSX**, the devastation continues for tech giants **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD).

Share prices are drifting lower and both tech stocks look way oversold already. At $42.04 per share, Shopify is deep in the red with its 75.5% year-to-date loss. Lightspeed is doing better, although at the current share price of $27.04, the 47.1% negative return is still high. Will the battered stocks stay in the dumps or is a price bounce back on the horizon?

Staggering net loss

Shopify has a strong following but the disappointing financial results in Q2 2022 could scare investors off. Total revenue and monthly recurring revenue (MRR) grew 16% and 13% to US$1.3 billion and US$107.2 million versus Q2 2021. Unfortunately, net loss during the same quarter reached a staggering US$1.2 billion compared to the US$979 million net income from a year ago.

Management warned about a grim near-term outlook, including operating losses in the last two quarters of the year. Shopify lost steam when the lockdowns and e-commerce boom ended. Some market analysts say the $52.87 billion e-commerce company overbuilt and is now paying the price.

Shopify's move to invest heavily to keep pace with e-commerce growth was a blunder. According to Tobias Lütke, Shopify's CEO, it was a failed bet as management thought the surge would be permanent. The company had to scale down and lay off 1,000 employees working in recruitment, support, and sales.

Shopify also failed to make it to the 2022 TSX30 List for the first time in four years. The tech superstar ranked number one in 2020 and placed second in 2019 and 2021. In May 2020, it dethroned the **Royal Bank of Canada** as the largest TSX company. Its market cap soared to $120 billion, but the reign was short-lived as Canada's largest bank took back the crown in January 2022.

Widening losses

Lightspeed Commerce welcomed the return of pre-pandemic activities and shopping habits but still didn't have a good start to fiscal 2023. In the three months ended June 30, 2022, net loss reached US$100.8 million, or 104.3% higher than in Q1 fiscal 2022. Its CEO, JP Chauvet, said, "We are not immune to macroeconomic conditions and are not downplaying the risks."

While the return to in-person shopping and dining are positives for the $3.87 billion software company, Chauvet said it will only partially offset challenging macroeconomic conditions. The bright light is the stellar software adoption as evidenced by the 3,000 additional customer locations for a total of 166,000.

Asha Bakshani, Lightspeed's CFO, said, "Our diversified business model continued to serve us well this quarter." However, despite the target organic subscription and transaction-based revenue growth rate of 35% to 40%, management expects an Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) loss of between US$35 million and US$40 million for fiscal 2023.

No abrupt bounce back

Shopify and Lightspeed could bounce back but not anytime soon. The downward trend will likely extend to 2023 or until investors see a clear path to profitability.

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2. Tech Stocks

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3. TSX:LSPD (Lightspeed Commerce)
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