



## Down 70%, Lightspeed Stock Is Worth a Second Look

### Description

**Lightspeed Commerce** ([TSX:LSPD](#)) has been one of the hardest-hit TSX stocks over the past year. After hitting a peak of \$158.84 in September 2021, it fell all the way to \$21.10 — an 86% decline.

Lightspeed's problems started a little earlier than other [tech companies'](#) problems did. When Lightspeed started falling in September 2021, tech stocks in general were still doing well. They were hitting new highs as late as November of that year. But Lightspeed got hit with a problem that didn't affect most other tech companies.

### A short report

In September 2021, the short-seller Spruce Point Capital released a report that accused Lightspeed Commerce of aggressive accounting. "Aggressive accounting" is when you recognize revenue too early, or suppress costs, causing earnings to appear higher than they would normally be.

In Lightspeed's case, there were no profits to speak of, but the company's revenue growth was suspiciously strong in 2020, given that many other point-of-sale companies were seeing sales decline due to the COVID pandemic. The disparity may be explained partially by the fact that Lightspeed got into e-commerce in 2020 — an industry that actually thrived during the pandemic. Still, Spruce Point's message hit home, and investors sold the stock in response.

### The short-seller's price target has been hit

Spruce Point Capital's short report was written over a year ago now. One curious thing has happened since it came out is that the short-seller's target was reached. Spruce Point wrote in its report that it thought LSPD had downside of 80%. Since then, the stock has actually fallen 86%. So, if Spruce Point continued shorting LSPD after its report went public, it has likely closed the short by now.

## Lightspeed still isn't exactly cheap

Regardless of whether or not Spruce Point Capital closed its Lightspeed Commerce short, one thing is certain: LSPD still isn't cheap.

At today's prices, it trades at 3.5 times sales, which is on the high side, and doesn't have a meaningful price-to-earnings ratio, because it still isn't profitable. On the bright side, some online data sources report it as having a price-to-book ratio below one, which suggests that the stock trades for less than what it owns. That's encouraging, but remember that it's easy for corporate accountants to fudge earnings numbers to make results look better than they are.

## Verdict: Worth a second look!

My final verdict on Lightspeed Commerce stock is that it merits a second look. I'll stop short of calling it a "buy," because the company's accounting practices have been called into question, and that's a serious red flag. However, LSPD is [still growing its revenue at 38%](#), a high rate for a tech company in 2022. It's also been beaten down further than one of its most notorious bears predicted and has some multiples suggesting it is no longer insanely expensive.

This stock certainly deserves to be taken seriously. For me, an investor with no particular bias toward tech, it is not yet a buy, but adventurous investors with a strong preference for high-risk tech gambits might want to pay attention.

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2025/08/29

**Date Created**

2022/11/28

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