



Lightspeed (TSX:LSPD) Stock: Is Now the Time to Buy?

Description

Just this week, **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) stock rapidly dropped after Spruce Point Capital Management published a [scathing](#) short report. As has been the case with other well-known Canadian growth stocks, its sky-high valuation made it a perfect target for an opportunistic short-seller.

It is not unusual for a hedge fund like Spruce Point to target a stock with a lot of froth, set a short position, and then publish a very negative report. In a way, it is a slimy practice of earning some easy returns on the back of another entity's peril. Spruce Point is primed to profit from Lightspeed stock's decline, so its report is not necessarily fair or unbiased.

The Lightspeed short report could be just “smoke and mirrors”

A lot of the allegations in the report appear to be highly hyperbolic, “smoke and mirrors” type reporting. Yet, as is often the case, there is sometimes truth within the exaggerated points as well. Hence, I believe it is important that investors review the report and critically consider whether the risks outweigh the benefits (or vice versa) for owning Lightspeed stock going forward.

Take a wait-and-see approach with Lightspeed stock

Undoubtedly, Lightspeed stock is overvalued. However, other prominent tech stocks (like **Shopify**) have faced similar short-reports and still found a way to climb higher over the years.

I still think the market has to sift through some of these details. Consequently, there could still be some volatility and selling in Lightspeed stock. Consequently, I would perhaps sit on the sidelines, review the information, and see where the stock settles for the moment.

If I was looking for some other high-growth stocks to acquire in the recent tech meltdown, here are two [TSX stocks I like today](#).

Descartes Systems

Intriguingly, **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)) was actually mentioned in the Lightspeed short report. It was the organization where Lightspeed CFO Brandon Nussey worked in the early 2000s. During his tenure, he helped restructure the company out of some financial difficulties. It has gone on to deliver a 2,789% gain for shareholders, so I guess he did something right!

Today, there is no doubt that Descartes is in a very good financial position. It has \$128 million of cash on its balance sheet and no debt. The company provides cloud-based software solutions for logistics and freight-intensive businesses. Given the supply chain challenges across the globe, it has been enjoying incredibly strong demand in 2021.

Year to date, revenues, earnings per share and adjusted EBITDA have grown over last year by 21%, 92%, and 30%, respectively. It earns a very attractive 43% adjusted EBITDA margin on revenues.

Supply constraints and trade complexity are not likely to abate anytime soon. Hence, I think this stock has a great growth runway this year and beyond. While Descartes is not cheap, I would prefer to buy it over Lightspeed stock today.

Constellation Software

Like Lightspeed stock, **Constellation Software** ([TSX:CSU](#)) is no stranger to short reports. Over the past ~14 years, it has been one of the best-performing stocks on the TSX (up 8,370%, not including dividends). Many have claimed its stock is perpetually overvalued. However, they have failed to recognize the quality of its platform and its management team.

Its CEO, Mark Leonard, is highly critical of how Constellation deploys capital. He has established a decentralized culture that invites criticism and deconstruction so Constellation can learn from its mistakes and improve over time.

Constellation has now acquired over 500 companies and grown into a \$40 billion market cap. As a result, its team has a deep level of expertise, learning, and knowledge. Constellation is now a well-oiled machine, capable of consolidating niche software businesses and producing ample amounts of free cash. Given its strong balance sheet and proven growth platform, this stock still has lots of room to grow for years ahead.

The takeaway on Lightspeed stock decline

Lightspeed still needs to prove itself after the allegations. This may affect Lightspeed's stock price in the near term. In contrast, over time, Constellation and Descartes Systems have proven their business model. That is why I would consider them a buy over Lightspeed stock — at least for the moment.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:LSPD (Lightspeed Commerce)

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