



Buy Lightspeed (TSX:LSPD) Stock: My Answer to Short-Sellers — the Elon Musk Way

Description

The Canadian tech firm **Lightspeed Commerce's** ([TSX:LSPD](#))([NYSE:LSPD](#)) share price has seen a massive selloff lately. The stock price has already tumbled by nearly 11% this week so far after tanking by 19% last week.

With this, LSPD stock has seen about 26% value erosion since New York-based short-seller Spruce Point Capital Management released its critical report on September 29. The report not only [slammed Lightspeed's management](#) for poor corporate governance but also alleged that the company has been knowingly inflating its business metrics to mislead investors.

Short-seller's attack on Lightspeed stock

Spruce Point released a 125-page report in a presentation format that criticized nearly all aspects of Lightspeed's business. Also, the report claimed to provide evidence for its allegations, including some cropped screenshots from LSPD's regulatory filings and earnings presentations. At first glance, Spruce Point's report looks so convincing that some retail investors would want to either sell Lightspeed stock or at least trim their long positions without even fully reading this lengthy report, in my opinion.

My answer to LSPD stock short-sellers

However, I find some of the arguments in the report too shallow and misleading. For example, on page 29, the short-seller broadly seems to question why Lightspeed's management had a bullish tone, even during the peak pandemic phase, when its competitors were struggling. To give you another random example, the report, on page 31, again apparently tried to convince investors that Lightspeed's business couldn't flourish during the COVID phase when some of its peers were facing difficulties.

But do such arguments really prove anything? It's like arguing how **Tesla's** ([NASDAQ:TSLA](#)) car deliveries could exceed expectations amid the ongoing chip shortages, hurting the whole auto industry. If you don't know it already, it's a fact. Tesla just delivered a record number of vehicles in Q3. In

contrast, other big automakers, including **General Motors** and **Ford**, are struggling due to the chip-shortage issues and temporarily shutting their plants.

I don't know how convincing short-seller's arguments may sound to you. Still, you can't blame a company for being bullish in tough times. You can't start selling a company's stock just because its management is too bullish or its business is doing better than its peers. If this is how everyone picked stock to sell, then TSLA stock wouldn't have delivered outstanding returns in the last few years, and its overtly bullish CEO Elon Musk won't be so rich today.

The Elon Musk way

Musk has always been critical of Tesla short-sellers (or any short-selling in general). In January 2021, Musk [said](#) in a tweet:

“u can't sell houses u don't own

u can't sell cars u don't own

but

u *can* sell stock u don't own!?

this is bs – shorting is a scam

legal only for vestigial reasons”

In his [opinion](#), “Short-sellers are value destroyers. Should definitely be illegal.” Releasing a lengthy report with some shallow arguments to convince investors to sell Lightspeed stock doesn't mean that whatever Spruce Point says is the truth.

Also, I don't need to tell you that short-sellers make money when their targeted stock crashes. And this is exactly what's happening with LSPD stock right now. It's falling consistently, as the bear report seems to have convinced many investors that Lightspeed stock is worth selling or even short-selling.

Is Lightspeed stock worth buying?

I don't want to defend Lightspeed and recommend buying for everyone during the ongoing market noise. In my opinion, many of Spruce Point's weak arguments could easily be countered by Lightspeed's management. Any detailed response from Lightspeed could trigger a buying spree in its stock. That's why I would recommend that avoid short-selling the stock, as it could prove to be too risky. It's better for conservative investors to watch the ongoing drop in LSPD stock from far away at the moment. Nonetheless, Canadian investors with a good risk appetite might want to take advantage of the ongoing selloff to buy Lightspeed stock for the long term at a bargain.

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