



Lightspeed Stock: Is it Time to Buy the Dip?

Description

Canadian investors may be looking for some pop in their portfolios after the Thanksgiving long weekend. North American markets have performed very well over the past year. It is hard to find discounts in this environment. Today, I want to zero in on **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)), a top tech stock that has been throttled over the past month. Is it worth buying this stock on the dip? Let's dive in.

Why investors cannot pass up on the e-commerce space

In September 2020, I'd discussed how an investor just starting out could [seek exposure](#) to the e-commerce space. The COVID-19 pandemic forced traditional retailers across North America to temporarily shutter their brick-and-mortar locations. This led to a boom in the e-commerce industry — a space that was already on a gigantic upswing.

Grand View Research released a market research report on this industry back in May 2020. It estimated that the global e-commerce market was valued at \$9.09 trillion at the end of 2019. The report projected that the market would deliver a CAGR of 14% from 2020 through 2027. This should pique investor interest in stocks like Lightspeed.

What is behind the Lightspeed short?

Lightspeed is a Montreal-based company that provides commerce-enabling Software as a Service (SaaS) platform for small and midsize businesses. Shares of this tech stock have climbed 26% in 2021 as of close on October 8. However, the stock has plunged 28% month over month. Lightspeed found itself the target of a [short attack](#) in late September.

Spruce Point Management, a New York-based investment firm, released a long report that alleged Lightspeed has inflated how many customers it has brought on board. Moreover, the report alleges that the company is covering up the profitability of said customers and its core growth potential. Spruce Point predicts that Lightspeed will lose out to bigger dogs like **Shopify** and **Amazon** in the e-

commerce space.

Many investors will remember that Shopify, an Ottawa-based e-commerce company, was targeted by short-seller Citron Research in 2018 and 2019. That short attack put a dent in Shopify's share price, but it would quickly recover and rise to new heights. What should investors expect here?

Should you look to buy Lightspeed after its big plunge?

Just before the short attack, I'd [discussed](#) Lightspeed's impressive performance over the past year. Lightspeed said that Spruce Point's report was filled with "mischaracterizations" and sought to "mislead" investors for its own benefit. All investors should crave transparency, especially when it concerns companies that are chasing profitability.

Lightspeed is still a few years away from profitability, but its revenue growth has been impressive. Investors can expect to see its next batch of results on November 4. This tech stock is a tempting bet, especially in such an explosive space as e-commerce. It last had an RSI of 30, putting it just outside technically oversold territory. I'm waiting for its second-quarter fiscal 2022 earnings before taking the plunge after this worrying short attack.

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