Lightspeed Stock: Is it a Buy-Low Opportunity or a Falling Knife?

Description

Lightspeed Commerce (TSX:LSPD)(NYSE:LSPD) stock was up 3.6% in late-morning trading on November 25. The Montreal-based e-commerce company looked strong coming into 2021. Indeed, the e-commerce space has seen its growth accelerate over the course of the COVID-19 pandemic. Unfortunately, Lightspeed's momentum came to a screeching halt in the second half of the year. Today, I want to discuss whether investors should look to buy the dip or avoid this tech stock going forward.

Why Lightspeed stock has been throttled in late 2021

Shares of Lightspeed have dropped 15% in 2021. The stock has plunged 39% month over month at the time of this writing. In late September, I'd discussed tech stocks that had shot up over 200% compared to the previous year. A few days later, the company became the target of a ferocious short report from Spruce Point Management.

The short report alleged that the company had "massively" inflated its customers, the cash those customers produce, and its growth potential. In the report, Spruce Point alleged that the company "baits investors with its massive potential in its payment solution, but we believe it has not been transparent about competitive pressures and material margin decline."

Many investors will remember the short attack that Andrew Left of Citron Research lobbed at **Shopify**, another top Canadian e-commerce firm. Fortunately, Shopify was able to power through the short report with superior earnings in quarter and quarter. Lightspeed will need to put together the same kind of stretch in order to squash the concerns that have sprouted from this attack.

Here's why this tech stock is a buy-low opportunity

Lightspeed unveiled its earnings for the first time since the short report on November 4. In the second quarter of fiscal 2022, the company delivered revenue growth of 193% to $133 million. Meanwhile, subscription revenue increased 132% to $59.4 million. Moreover, transaction-based revenue jumped

320% to $65.0 million.

The company achieved these results on the back of strong organic growth and a bump from its recent acquisitions of NuORDER, Vend, Upserve, and ShopKeep. Gross transaction volume climbed 123% year over year to $18.8 billion.

In late October, I'd suggested that Lightspeed looked like a great buy-the-dip opportunity. Shares of this tech stock possess an RSI of 28. That puts Lightspeed in technically oversold territory.

The case against Lightspeed right now

Revenues expanded in the company's Q2 FY2022 report, but there were some warning signs. The company warned that it was facing uncertainty in the macro environment due to the negative impacts of the COVID-19 pandemic. North America's ongoing supply chain crisis has the potential to curb growth for small and large retailers alike over the crucial holiday season. Lightspeed management warned that this could be an issue for its performance in the near term.

This ongoing crisis is very bad timing for the Montreal-based tech firm, as it aims to regain momentum after the short attack. The company is still chasing profitability. This stock is not for the risk averse.

Verdict

Supply chain issues threaten to keep Lightspeed stock in the doghouse for the rest of 2021 and possibly into 2022. Despite that, there are still reasons to be excited about this e-commerce firm, as it aims to carve out its own space in Shopify's shadow.

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