



Meet This Canadian Tech Unicorn Drawing Comparisons to Shopify (TSX:SHOP)

Description

What is a tech unicorn? It is a company that surpasses a \$1 billion market valuation. **Lightspeed POS** ([TSX:LSPD](#)) debuted on the TSX earlier this year with the biggest IPO by a Canadian technology firm in nearly a decade. IPOs are rare for venture-funded Canadian companies since they are often acquired before going public. Even rarer, Lightspeed opted for a TSX-only IPO that was able to raise more than \$240 million. But what is Lightspeed?

With an impressive list of customers in over 100 countries, Montreal-based Lightspeed offers a point of sale (POS) cloud product and other services for small- and medium-sized businesses. Sound familiar? It's an easy comparison to **Shopify's** 2015 IPO success. Lightspeed's core verticals target retailers and restaurants. Lightspeed offers extras like accounting software, inventory and employee management, kitchen display systems, e-commerce services, and loyalty programs.

But it's not all good news for Lightspeed. There is a [huge addressable market](#) to service small- and medium-sized businesses, but it is in a crowded space with heavy competition. While Lightspeed does not see itself in the same market segment as Shopify it is going down a similar path that will lead to increased competition in the future.

Shopify is an e-commerce platform first followed by add-ons like POS systems. Lightspeed brings in new customers with its POS product first before upselling them extras like e-commerce. Lightspeed is also competing against some big global players like **Square**, **PayPal**, and other [financial technology companies](#) that are targeting small- and medium-sized businesses.

What about the financials? Just like other growing tech companies, Lightspeed is not yet profitable, and the path to profitability is not clear. Market analysts are asking many of the same questions they asked after the Shopify IPO. In a Canadian market that is starved for tech IPOs, one should worry that Lightspeed's initial trading price and current valuation are artificially inflated by a lack of viable Canadian options.

What does the future hold for Lightspeed? Its market segment is fragmented at the moment with lots of small products competing for the same customer base. There is a big opportunity for Lightspeed or

other companies to consolidate and gain customers through acquisitions. Instead of becoming an acquisition target, Lightspeed has previously bought a series of companies and it plans to continue buying to power global growth.

Investor takeaway

There is an element of pride when a Canadian technology company is able to successfully raise money like competitors in Silicon Valley, but that should not cloud your investing judgement. Are the growth prospects for this company enough to outweigh the operating losses? Has the race begun to acquire this tech unicorn before it becomes too large? Lightspeed has attracted a lot of attention and investor money with its IPO, but it is still a risky bet.

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