



## How to Make Money Investing in IPOs

### Description

An initial public offering (IPO) is when a private company makes its shares publicly available to institutional and retail investors, allowing the company to raise lots of capital from the market to fund the growth endeavours of the company.

However, there's no guarantee that these endeavours will be a success. Additionally, there's no public trading history of the stock. Thus, there's no way of telling how risky or volatile it could be.

### What attracts investors to IPOs?

Stocks that just had their IPOs are a playground for speculators looking for quick gains. That's why in the short run you see great volatility in the stocks whether it'd be gains or declines. To win in this game, you've got to follow the momentum and watch the market like a hawk.



## How to make money investing in IPOs

You can make money from investing in IPOs, but there's a higher level of speculation and greater risk. For example, **Katanga Mining** stock traded at about \$1 per share in 2004 and the stock skyrocketed exponentially to \$26 in 2007.

In the last recession, the stock came crashing down to about \$0.40 per share in 2008. The stock has had its ups and downs ever since. For most years, Katanga is unprofitable, which is why it's been a speculative investment with unpredictable returns.

Rather than investing in high-cost mining companies, investors should have a better chance of making money from investing in tech IPOs because tech companies tend to be innovative and create value for their customers.

For example, **Lightspeed POS** stock has more than doubled from its March IPO price of \$16 per share. The tech company that provides point of sale and payment processing services for about 50,000 restaurants and businesses with a focus on small- and medium-sized businesses.

## Foolish takeaway

In a recent CNBC interview, Warren Buffett stated that he has never bought an IPO. His argument is that there are so many investments out there, such that surely there must be something else that you understand better and is [a better investment](#) than an IPO.

Unless you have a strong conviction about the future prospects of a company that just had its IPO and intend to invest for the long term, it will be very difficult to make quick profits on them.

The strategy should be to invest in a number of IPOs of companies about which you have strong convictions expect that in the long run, the winners will deliver incredible returns that'll more than cover for the losers.

### CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Tech Stocks

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Investing
2. Metals and Mining Stocks
3. Tech Stocks

### Date

2025/08/24  
**Date Created**  
2019/07/10  
**Author**  
kayng

default watermark

default watermark