



## Is the Hottest IPO of 2019 a Better Buy Than Shopify (TSX:SHOP) Stock?

### Description

In recent years, initial public offerings (IPOs) haven't been kind to investors. Although the majority of IPOs have been duds, occasionally there is a star that emerges. In 2019, there is one company [that stands out](#) above all others: **Lightspeed POS** ([TSX:LSPD](#)).

Lightspeed is a software as a service company (SaaS) that provides commerce solutions to small- and mid-sized businesses. The POS in its name stands for "point of sale" and accounts for the bulk of its services. This enables companies to better manage inventory and subsequently better serve their customers. The technology company also operates in the following segments: Loyalty & Customer Relations Management, Merchant Services, and eCommerce.

If this sounds familiar, it's because one of Canada's [best-ever IPOs](#) also operates in these segments. That's right; **Shopify** is one of Lightspeed's primary competitors.

In fact, Lightspeed has an entire section on its website dedicated to comparing itself to the industry leader. Shopify has been one of the hottest technology companies in the world, but since its IPO, Lightspeed is hot on its heels.

Since going public in early March, Lightspeed has already doubled (107%) in value. This eclipses Shopify's 69% gain over the same period. Can Lightspeed also return quadruple-digit gains in the near future?

### Impressive growth rates

Since going public, Lightspeed has only released one quarterly report: fourth-quarter and fiscal 2019 year-end results.

The significant earnings miss (loss of \$2.21 per share versus estimates for a loss of \$0.62 per share) is a little misleading. Earnings were impacted by a non-cash charge related to the conversion of its preferred shares into common shares. Adjusted EBITDA actually improved to (\$4.1) million from (\$4.3) million last year.

Fourth-quarter revenue jumped 36% and recurring software revenue grew by 33% to \$18.7 million. Excluding IPO-related costs, the company also turned cash flow positive, as cash from operations came in at \$0.3 million.

On a fiscal year basis, growth rates were consistent with the fourth quarter. As of March 31, 2019, the number of customer locations grew by 20% and gross transaction volume (GTV) grew to more than \$14.5 billion. That is a 40% increase in GTV.

In fiscal 2020, the company expects to grow revenue by 40% and cash from operations is expected to jump to \$8.25 million. Analysts have similar growth expectations for the company.

Although these are healthy growth rates, they pale in comparison to the triple-digit growth experienced by Shopify in its early IPO days. In fact, Shopify is still expected to grow revenue at a faster clip (48% on average) than Lightspeed over the next couple of years.

That is not to say Lightspeed isn't a good investment. Even as Shopify grows, there is room for Lightspeed to also be successful. It operates in an industry that is growing at a rapid pace, doubling in size every few years.

At current valuations, the company appears to be fully valued, as it trades at a slight premium to Shopify on a number of metrics, including price to book, price to sales, and enterprise value to revenue. That being said, it would be an interesting company to add on any pullback.

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