2 IPOs Investors Should Be Watching Very Closely

Description

There isn’t much more exciting in the stock market than an initial public offering (IPO), especially when those companies are already well-known brand names within the industry. Watching the IPO unfold can feel similar to watching a soap opera — the ups and downs of the stock mirroring the twists and turns of something akin to *The Bold and the Beautiful*.

So, when a new stock hits the scene, it can be hard to tell whether the jump in share price is due to the strength of the company or the power of hype. That’s why today I’ll be looking at two stocks that had an IPO recently, whether the hype is warranted, and if it can continue for the long haul.

Beyond Meat

First up is **Beyond Meat** (NASDAQ:BYND). No doubt you’ve already heard of the company, as the plant-based protein producer has introduced meatless options in a slew of well-known fast-food chains ranging from A&W to Tim Hortons. These brand name connections have sent the stock soaring since its IPO back in April of this year, with the stock growing a whopping 680% in that time, as of writing this article.

But is that growth sustainable? Here’s how analysts see it. Beyond Meat has only scratched the surface, looking to the big-name offerings where it can provide meatless substitutes; by that I mean burgers, sausages, hot dogs and the like. The company has also only scratched the surface of the brand names it can partner with, as there are so many fast-food chains and grocery stores it could offer its products to.

With the hype has come an opportunity for expansion into areas otherwise unthinkable before Beyond Meat, and without a major competitor on the horizon, the company looks like it will continue to grow for some time. However, the main point investors should watch out for is that the company has been bleeding cash, and when it comes down to it, all Beyond Meat has is its brand. That's not sustainablein the long run, so Beyond Meat will have to continue to make partnerships and offer new products noone else has even dreamed of if it hopes to continue this share run.

Lightspeed

Another stock reaching stratospheric levels is **Lightspeed POS** (TSX:LSPD), a software maker that has specifically focused on the retail and restaurant industries. The company went public in March of this year and since then has grown an impressive 92% to where it trades now at $36.30 per share.

While the company may not have had the incredible increase of Beyond Meat, that may actually be a good thing. Without being whipped up in a popularity contest, the stock has managed to come out strong and convince investors that its growth might actually be sustainable.

While the company has only released one quarterly report since going public, it was still impressive. Revenue went up by 36%, with recurring software revenue increasing by 33%. The company expects to continue growing its revenue by 40% for fiscal 2020, with cash from operations coming in at $8.25 million, and analysts predict similar growth. And just like Beyond Meat, Lightspeed looks to only have scratched the surface, as it continues to acquire companies and expand its base.

Foolish takeaway

If I were to take on either one of these companies today, it would be Lightspeed. There is so much hype around Beyond Meat that I don't believe the current stock price is sustainable the way it is. In fact, analysts predict Beyond Meat will drop in the near future to as low as $75 per share, despite having a fair value that is almost double where it trades at writing.

Lightspeed, meanwhile, has ample room for growth, and while it might not see as stratospheric a rise going forward as Beyond Meat, it looks as if it should remain at a steady increase. For the long-term investor, Lightspeed is definitely the better pick at this point, when all the hype has died down.

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alegatewolfe