



Investors: If You'd Put \$10,000 in This Canadian IPO, You'd Have \$19,000 Now

Description

IPOs can be risky business. As this year's **Uber** and **Lyft** investors saw first-hand, a hot, new offering can break the bank just as much as it can make you rich. Warren Buffett has long been skeptical of IPOs for this very reason.

That doesn't mean there aren't great IPO buying opportunities, however.

If you'd bought **Shopify** at its IPO price, [you'd be up over 1,000%](#) today. Many IPOs in the cannabis space have done equally as well for early investors, despite their recent nosedive.

In this article, I'm going to reveal a recent TSX IPO that resembles Shopify in its early days. A high-growth tech stock, its revenue was up 36% year over year in its first quarterly report as a publicly traded company. This stock has already risen 90% in the markets in a few short months, and if future earnings are as good as recent ones, it may have even more upside.

The name of the stock?

Lightspeed

Lightspeed POS ([TSX:LSPD](#)) is a software company that develops point of sale and analytics software. Point of sale in general is a fairly saturated space, but Lightspeed's offerings differentiate themselves with advanced analytics and supply chain management features. In its most recent quarter, Lightspeed had customers in 100 different countries and processed over \$13 billion worth of transactions.

Fast growth

In many ways, Lightspeed is reminiscent of Shopify: a payment processing business that handles massive transaction volumes. Although Lightspeed is more “brick and mortar” than Shopify is, the underlying business model is quite similar.

Another similarity between the two companies is growth. Although Lightspeed’s [36% year-over-year revenue growth](#) isn’t in quite the same league as Shopify’s 50%, it’s pretty close, and if it can be continued, it may help send the company’s shares higher.

A large accessible market

According to Grandview Research, the point-of-sale market is expected to be worth \$108 billion by 2025 and grow at 7.8% CAGR until then. This means that Lightspeed is operating in a large and fast-growing market, with potential clients all over the world. The company already has paying subscribers in 100 countries, amply demonstrating its large geographic reach. On top of that, the high expected growth in point-of-sale services worldwide shows that the company’s total accessible market is not only geographically diverse but rapidly expanding.

How far can it go from here?

Lightspeed has already seen some frothy gains. For investors who haven’t bought in yet, the question is, how high can it go? As we’ve seen from Shopify, a fast-growing stock can easily continue beating the market year in and year out: SHOP has averaged returns well in excess of 50% every single year since it went public. If Lightspeed can match those returns, then it may have a ways to go. However, with a price-to-sales ratio of 39, it’s already extremely expensive, so investors will need to weigh cost against sales growth prospects.

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