Investors: This Recent IPO Could Be Even Better Than Lightspeed (TSX:LSPD)

Description

Lightspeed POS (TSX:LSPD) has been one of the most successful Canadian IPOs of 2019. Up 76% since it went public, the stock has been beating the market handily.

Lightspeed's success comes after a wave of failed IPOs, including several "gig economy" companies that many investors were hopeful about. So far, Lightspeed's IPO has bucked the trend. However, in the past two weeks, LSPD took a dive, falling 30% from September 9 to September 16 — likely due to a similar selloff in **Shopify** stock.

In past articles, I've opined that Lightspeed's similarities to Shopify were the likely cause of its success, so it's natural that a decline in investor sentiment toward Shopify would affect LSPD as well. It's not clear whether Shopify and Lightspeed will start rising to record highs again. However, if you're looking for a new IPO that may have some room to grow, there's an Israeli startup that just went public and may have some upside.

Fiverr

Fiverr International (NYSE:FVRR) is a gig economy website that allows independent contractors to sell services to buyers. The company previously branded itself as a market for $5 services but more recently started allowing contractors to set their own prices.

Before going any further, let me be clear about one thing: Fiverr's IPO has not been a huge success so far.

As of this writing, shares are basically flat from their offering price ($21), and way down from their closing price on the first day of trading ($39.9). However, past performance doesn't necessarily indicate future performance, and there are many signs that Fiverr could actually be a better buy than Lightspeed at current prices.

Why it could be better than Lightspeed

The main reasons why Fiverr could be better than Lightspeed include similar growth rates and a softer valuation.

In its first quarter since going public, Fiverr grew at 41% year over year, narrowly beating Lightspeed's 36%. Other encouraging growth metrics included a 14% increase in active buyers and a 16% increase in spend per buyer. Less encouragingly, the company *expects* growth in the 37-38% range going forward, which puts its forecast growth lower than Lightspeed's (the company expects 40%).

However, forecasts don't always become reality, and Fiverr's stock undeniably has one *huge advantage* over Lightspeed's: it's ***way*** cheaper.

With a market cap of $650 million as of this writing, Fiverr goes for just seven times its trailing 12-month sales ($90 million). The stock is also fairly cheap compared to book value, with a price-to-book ratio of 1.41. With that said, this company is losing money, and the losses are getting bigger. But the losses as a percentage of revenue are not very high, which hints that the company may become profitable in the not-too-distant future.

Foolish takeaway

Lightspeed has been a favourite of Canadian tech investors in 2019, owing to its successful IPO and Shopify-like image. Now, however, it appears to be stalling. With Lightspeed shares way down from previous highs, it's natural for investors to look elsewhere. And with similar revenue growth and a much cheaper price, Fiverr may be one for them to keep an eye on.

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