



If You'd Invested \$10,000 in Lightspeed's (TSX:LSPD) IPO, Here's How Much You'd Have Today

Description

Lightspeed POS ([TSX:LSPD](#)) has been one of the top IPOs on the TSX this year. Focusing on small and midsize businesses, the tech company has been able to carve out a significant piece of the market for itself by offering a range of services. From point of sale to customer relationship management to merchant services and e-commerce, it overlaps with some of the services that **Shopify** offers.

However, it's proven that there is room for another big player in the space and with sales totaling more than \$93 million over the past 12 months, Lightspeed has been able to achieve significant growth. In its 2019 fiscal year, which ends on March 31, sales were \$77 million, which was a 36% improvement from the \$57 million the company generated in the prior year.

Alas, the company has another thing in common with Shopify: mounting losses. Its net loss of \$186 million over the trailing 12 months is double its sales over that period. The company has been wrestling with the idea of [focusing on either growth or profitability](#), as either path it chooses it could end up losing investors. For now, however, what the company has been doing has been working, with the stock up more than 80% since the start of the year. Although it has come down from its peak in the [summer](#) when it was up over 150%, it has still generated strong returns for investors who'd bought shares early on.

Lightspeed began trading on day one at just \$18.10

Had you invested \$10,000 into the tech stock right at the open, you would own 552 shares today. At \$34.10 as of Monday's close, those shares would be worth more than \$18,800. An \$8,800 profit over the course of nine months would be a good return for any investor, especially if that investment was made inside of a Tax-Free Savings Account, where that profit would be shielded from the government.

The challenge for TSX investors is that these types of IPO success stories can be rare. And for every one good performance like Lightspeed, there are several that don't produce positive returns. Without a track record, investors are taking on quite a bit of risk investing in new issues, and a stock's

performance will ultimately depend on how well the IPO was priced. Even if it's a good stock, pricing it too high could set it up for failure out of the gate.

Is Lightspeed still a good buy today?

As well as Lightspeed has done this year, it's not a stock that I'd consider investing in today. Trading at around 15 times its book value and more than 31 times its sales, the stock is heavily valued, and earnings may still be a long way from becoming a reality for the company. The stock has fallen 14% over the past three months, as it could be a sign that investors have cooled their excitement for Lightspeed, and there's definitely a lot more room for it to continue to drop in value.

Long term, there are many good opportunities for Lightspeed to continue to grow, but for now, investors may want to wait for more of a drop in price before buying shares of the company.

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2. Tech Stocks

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