



Lightspeed POS (TSX:LSPD) Launches U.S. Stock IPO

Description

Omnichannel commerce software platforms vendor **Lightspeed POS** ([TSX:LSPD](#)) will soon have its stock listed and trading on a prestigious U.S. exchange. The company [launched](#) on Wednesday a new initial public offering (IPO) of subordinate voting shares in the United States.

Lightspeed POS shares will be traded under the same "LSPD" ticker on the New York Stock Exchange (NYSE) after the upcoming U.S. IPO.

On offer in the latest IPO are 11,650,000 subordinate voting shares that are yet to be priced. Lightspeed will issue 10,000,000 new shares from its treasury. The balance will be sold by a major institutional investor who has significant influence in the running of the business.

If priced at the current market price, the newly listed shares could raise about \$420 million in gross receipts for the company. That's a significant cash boost to power the company's acquisitions-led growth strategy.

Lightspeed POS insiders are also selling the stock

The institutional investor mentioned above is Caisse de dépôt et placement du Québec (CDPQ). The institution will sell 1,650,000 shares into the U.S. IPO. It currently holds 25,936,219 shares in LSPD stock, or nearly 28% of the company's total issued and outstanding shares. The position entitles CDPQ to an 18.9% voting power in the tech firm, which falls to 16% after this IPO.

Lightspeed's founder and CEO Dax Dasilva and other insiders could sell up to 1,747,500 shares in an over-allotment option granted to underwriters. Other current insiders about 846,362 shares among them, excluding vested stock options and rights that they may exercise for the purpose of this deal. So, the founder may sell a good number of shares into this offering.

Insider net sales can paint a negative picture of firm future prospects. They may be perceived as a sign of an overvalued stock.

However, selling into an IPO is usually the best way for early investors to take profit and diversify their wealth. CDPQ participated heavily in the company's private equity financing rounds in 2015 and 2017.

The founder's influence is getting diluted

Dasilva holds 14,662,922 multiple voting shares. The position gave him 42.8% voting power in the company. If Dasilva doesn't sell anything, he will retain 39% voting power. If he sells something, he will shed his power to at least 36%. Either way, the founding director and CEO is losing his firm grip on the company.

However, Dasilva is giving up influence to grow the entire cake. He gets to cash out a portion and diversify his portfolio while retaining a good influence in [a company he founded and worked on for decades](#). A new equity raise will help finance his dream of consolidating a fragmented software industry.

New acquisitions loading...

There are over 190 direct competitors in the company's point-of-sale, payments, and e-commerce software market. Although the company was adequately funded with over \$200 million in cash on June 30 this year, the U.S. IPO will give Lightspeed POS the dry powder to acquire good-quality competitors.

The company could do well to consolidate a fragmented industry. Acquisitions will increase market share and expand the global reach of its brand and offerings. Perhaps such a move could help LSPD gain ground against the likes of **Shopify**, **PayPal**, and **Square**.

What's in it for investors?

Lightspeed POS's became public just last year. A U.S. IPO could help increase awareness and popularity for the tech stock to international investors. Liquidity and price discovery on LSPD shares could improve.

Further, more capital and new acquisitions could create a bigger, better financed, and more strategically powerful e-commerce company. The company can compete better on a global scale. Perhaps this will quicken its pace towards profitability and positive cash flow generation.

However, existing shareholders' claim on future earnings is being diluted. This will be the case as long as the company becomes profitable and starts generating internal cash flows to fund its expansion strategy. Analysts expect LSPD to continue making losses well into the next four years.

Further dilution is likely in the future. Investors may expect stronger business growth rates, too.

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