



## Lightspeed (TSX:LSPD) Will Launch a U.S. IPO: Should You Buy?

### Description

Did you miss **Lightspeed POS** ([TSX:LSPD](#)) stock's 300% rally from its March low? The recent market correction has given you a chance to benefit from its rally. Lightspeed stock fell 17% from its all-time high, as the company announced [plans to launch an initial public offering](#) (IPO) on the New York Stock Exchange. It expects to use the proceeds to strengthen its financial position and fund future growth strategies.

### A little information about Lightspeed's U.S. IPO

Lightspeed will issue 10,000,000 new shares from its treasury, and, in case of over-allotment, CEO Dax Dasilva and other insiders could sell up to 1,747,500 of their shares. As the new share issue dilutes the interest of existing shareholders, there could be a pullback in the stock. But this pullback would be temporary, as the new capital injection would drive the stock up.

You must be wondering why Lightspeed is launching a U.S. IPO. Is it in need of more capital? Lightspeed is pretty well financed, [with \\$203 million in cash reserves](#) and just \$30 million in long-term debt.

The company is leveraging the market bullishness to raise more capital. Its Toronto Stock Exchange IPO in March 2019 turned out well. Those who invested in this IPO got a 130% return in less than two years. With such a strong track record, there is a high probability that its U.S. IPO could be oversold for a premium. The stock is currently trading at \$40 on the TSX. If the U.S. IPO is priced at the current market price, the company could raise more than \$400 million in equity capital.

### What will Lightspeed do with the proceeds of the U.S. IPO?

Lightspeed provides point-of-sale (POS) solutions to retailers and restaurants. It recently expanded its e-commerce offerings by adding features like online payments, Lightspeed Capital, and shipments. These merchant solutions entail a higher cost, which could be met by new capital.

Like all Software-as-a-Service (SaaS) companies, Lightspeed earns revenue from subscription fees and transaction-based commissions. The company is in the early stages of growth and depends heavily on new customer acquisitions for revenue growth. The fastest way to acquire new customers is through the acquisition of competitors. There are more than 190 direct competitors in the POS, payments, and e-commerce software market.

The additional capital from the U.S. IPO could give it ample resources to acquire competitors. It can increase its market share, customer base, and global outreach by consolidating the fragmented market.

## Should you buy Lightspeed stock now?

Lightspeed stock is currently trading at 28 times its sales per share. For a stock that is growing its revenue at an annual rate of 50%, this valuation is adequate. The stock's valuation is still below **Shopify's**, which is trading at 53 times its sales per share.

The capital injection from the U.S. IPO will accelerate Lightspeed's growth. Moreover, the upcoming holiday season will bring in a seasonal boost in its transaction volumes, leading to higher commission revenue. This stock would thrive in the post-pandemic economy, as it is expanding its offerings beyond the physical stores to online stores. It is also broadening its customer base beyond retail and restaurants to golf clubs.

Lightspeed stock will surge alongside its sales. It is a good buy at \$40 before it resumes to making new records.

## Investor corner

If you haven't yet invested your \$6,000 Tax-Free Savings Account contribution, now is the time to buy. Invest \$3,000 in Lightspeed right now. In the best-case scenario, the stock will resume its growth path and make a new high in the holiday season. Last year, the stock dipped in September and rallied in December.

Even if Lightspeed stock returns to its high of \$48, it represents a 20% upside. This means you can earn \$600 on your \$3,000 investment.

### CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

### PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

### Category

1. Coronavirus
2. Investing
3. Tech Stocks

### Date

2025/08/25

### Date Created

2020/09/14

### Author

pujatayal

default watermark

default watermark