Warren Buffett: Tech IPO Investor

Description

One way you can improve yourself is by doing things that you might find distasteful, but are good for you. It's an obstacle in life that helps someone become a better version of themselves, and it takes a lot of courage. This is why it's encouraging to see Warren Buffett's actions after the current market crash.

The Wizard of Omaha has always loved banks, but he trimmed his stake in banks this year. He hates gold, but he made a significant investment in a significant gold player. And his latest move that shocked many investors. He bought an IPO and into a tech company — a sector he is not overly fond of. People skeptical about Buffett's drastic shift from convention now laud as his investment truly paid off (for now).

Beautiful snowflakes

Warren Buffett actively avoids Initial Public Offerings (IPOs). He refused to join in when disruptive tech companies, UBER and Lyft, made their debut. But after over 60 years, when he bought Ford at its IPO, the famous investor finally broke the pattern and invested in **Snowflake** – A unique cloud data platform which offers cutting-edge data and cloud computing solutions.

It's offering a service that's in really high demand in a market that is expected to keep expanding for several more years. Whether or not Snowflake's technological edge was the reason for Buffett taking part in the IPO is unclear, but the investment paid off. The company started its first trading day at more than double the price its IPO closed for.

So Buffett's investment paid off immediately. And though it's too early to say, even if the company keeps growing at a modest pace, it would be one of Buffett's most profitable investments.

An IPO in Canada

The tech sector on **TSX** didn't have a lot of exciting IPOs. But one of the most prolific ones was **Lightspeed**

(TSX:LSPD). Though it wasn't as aggressively powerful as Snowflake's and didn't have a name like Buffett's attached to it, the IPO was a success. The company recently closed its NYSE IPO, which went better than the company's initial estimation.

The stock has been a decent grower since the start. It grew its share price (and the capital of its investors) by over 150% in just five months after it started trading. It sunk after that, but recovered quite rapidly, then crashed again in March. But its robust 240% recovery (at its peak) again established it as a robust growth stock.

It's currently overpriced, so you may want to keep your wallet shut for now and wait for the price to dip again.

Foolish takeaway

If you feel inspired by Buffett's example and might try buying into a company during its IPO, make sure to do your due diligence. Since debuting stocks don't have a trading history that you can look for precedence like established stocks do, you can look into different things. Like the company's revenues, profitability, competition, product (and what makes it unique), etc.

There are other markers you can consider, like how much hype and anticipation there is in the market about the IPO, because that's likely to boost the price, at least on a short-term basis.

CATEGORY

1. Investing
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TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

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