



Warren Buffett: Is He Buying IPOs like Airbnb (NASDAQ:ABNB)?

Description

COVID-19 is fueling rental demand in the U.S. that it became a factor, in some way, to the successful stock market debut of **Airbnb**. On December 10, 2020, the famous vacation rental company went public. It raised US\$3.5 billion from its IPO on the NASDAQ and pulled off one of the largest IPOs this year.

Despite a horrific environment and reduced travel trends, Airbnb shares opened at \$146 per share and closed at \$144.71. Still, the closing price was 113% higher than its IPO price of \$68. After the highly successful debut of Airbnb, Warren Buffett said, "I wish I'd thought of it."

The legendary investor refers to the house-sharing platform; he lamented not coming up with the business model a few years ago. Buffett is a mentor to Airbnb's CEO and co-founder Brian Chesky. However, the **Berkshire Hathaway** chief has words of wisdom to his followers regarding [high-profile IPOs](#).

Not always a smart investment

Warren Buffett is not a big fan of IPOs, even if people have gotten rich. He believes it's all hype and an unnecessary gamble. Ironically, Berkshire Hathaway invested in **Snowflake's** IPO in September 2020. In fewer than three months, his conglomerate's gain is nearly 200%.

Buffett cautions investors that just because a strategy works for one investor doesn't mean it's a smart investment. He adds, "You don't want to get into a stupid game just because it's available." In 2016, he advised his followers not to worry about what's really going on in IPOs. There's no reason to let that affect a person's investing strategy at all.

Higher expectations

The triumphant debut of Airbnb stunned its CEO. Chesky was stunned and humbled, although he realizes the challenges ahead. He said in a *Bloomberg* TV interview, "The higher the stock price, the

higher the expectations, the harder we're going to be working, obviously."

Airbnb has an advantage over or faring better than hotels because the nature of its service is more flexible. Hosts have started deep-cleaning protocols and opening their homes to longer-term stays. Currently, the US\$97.39 billion company has more than four million hosts.

Red-hot tech stock

The tech sector is ruling the TSX and has been red-hot for most of 2020. It's outperforming the general market by a mile. The year-to-date gain is 57.67% versus the TSX's 2.56%. **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), in particular, is one of the sector's top performers. Investors are winning by 115% thus far. You'd better include this stock in your 2021 buy list.

Lightspeed's IPO two years ago was a huge success, too. The market debut of this \$8.7 billion company that provides point-of-sale services to small- and medium-sized businesses was well received. Management has since forayed into the e-commerce market as part of the platform's expansion.

The work-from-home trend that emerged from the lockdowns was a boon to Lightspeed. With the growing need for restaurants, retail stores, and other businesses to have online presence, Lightspeed's platform became the solution. Expect the company to report higher e-commerce revenue after the holiday season.

No change in investment philosophy

Warren Buffett's investment in the Snowflake IPO is one of his [intriguing moves](#) in 2020. However, his investing philosophy hasn't changed. He will always prefer proven and profitable, if not undervalued companies whose businesses he understands.

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