



## Lightspeed Offering New Stock: 2021 Acquisitions Loading!

### Description

**Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) is one hot TSX tech stock that continues to attract investor attention, as shares have rallied by 123% within four short months. The company's most recent earnings release fueled a short-lived rally, and its stock price hit a new all-time high of \$104.98 last week. Although shares are in a price consolidation right now, the company is about to capitalize on elevated valuation to capture current opportunities.

As [recently speculated](#), Lightspeed could "raise new equity from a bullish public market any day" to finance its growth strategy. Management is making a move.

## Lightspeed announces a well-timed stock offering

Lightspeed POS announced the launch of a new public offering of its common stock units after markets closed on Monday. Underwriters will market the latest stock offering, probably in the coming days. The company expects to issue up to 7,000,000 new shares to the public. Parties are yet to price the offering.

Don't allow the company's use of the words "subordinate voting shares" in the announcement to mislead you, though. Lightspeed recently [canceled all its remaining multiple-voting shares](#) previously held by CEO Dax Dasilva last year. All outstanding shares now carry the same voting power, including new ones being issued in the latest deal.

Management at LSPD is taking good advantage of the stock's all-time-high valuation to raise new capital. At Monday's closing prices, the company could raise about \$642 million (US\$504 million) in gross proceeds from the exercise. Executives, including the CEO, have pledged to sell to the underwriters up to 1,050,000 in additional shares in a 30-day over-allotment option. Insiders could sell some significant stock positions.

## What does this mean for retail investors?

The latest Lightspeed equity raise is well timed enough to limit the dilution of current investor interests. LSPD had about 118,840,993 shares outstanding by end of the day on Monday. The company will thus add 5.9% more common shares to its current share count. Current shareholders' interest in the business will shrink to 94.4% if they do not participate in the latest financing round.

Expect dilution to continue on your Lightspeed equity while the tech firm finances its acquisitions-led growth strategy. That said, individual retail investors may suffer "negligible" dilution impact, as holdings are already a very small proportion of total shares outstanding.

Most noteworthy, investors may expect the company to announce new acquisitions again in 2021. Cash balances fell to US\$232 million by December 31, 2020, after funding the cash portions of Upserve and ShopKeep acquisitions last quarter.

Management said, "The company currently expects that the net proceeds of the offering will be used primarily to strengthen the company's financial position and allow it to pursue its growth strategies."

Management stated that the funds raised will boost the company's balance sheet and finance its growth strategies. We know that LSPD is on a strong drive to consolidate a globally fragmented point-of-sale software market. The company's acquisitions led growth strategy has resulted in an average of three transactions per year in 2019 and 2020. The company is raising more dry powder to enable it to pounce on privately owned competitors soon.

## Beware of near-term potential price weakness

On a negative note, the latest share offering may dampen short-term stock price growth. The company is adding seven million more shares to its public float. Its 10-day average trading volume is under 700,000 shares on the TSX and less than 570,000 units on the NYSE. The increased market supply of units may further suppress an LSPD stock that is already undergoing consolidation. Shares may even fall further if the underwriting agreement is concluded at a discount to the prevailing market quotes.

## Foolish takeaway

Share price growth may slow down, as the company increases its available float. However, LSPD stock is a growing long-term hold candidate for capital gains.

### CATEGORY

1. Investing
2. Tech Stocks

### POST TAG

1. Editor's Choice

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