



This 1 Detail Can Skyrocket Your Returns

Description

Choosing what stocks to buy can be a very daunting task for even the most experienced investors. No matter who you are, it is likely that you will end up making at least a few bad picks over the years. Fortunately, there is one detail that may help you become more confident in the companies you choose to invest in: pick companies with high amounts of insider ownership.

Company insiders are any individual that has access to company information before it is made public. These can include officers, board members, and family members. Generally, when insiders hold large ownership stakes in the company, it signifies very strong confidence in the company's potential. It also incentivizes management to achieve performance goals.

An e-commerce leader

It is no secret that **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the best-performing stocks in the past year, climbing more than 200% over that period. As a refresher, Shopify is an e-commerce platform, which enables merchants to create online stores. The company is constantly innovating, whether it's partnering with other companies (e.g., **Facebook**) or integrating forward-thinking concepts into their platforms (e.g., Shopify has recently [enabled cryptocurrency transactions](#) on its stores).

Insiders at Shopify currently hold about a 10% ownership in the company. Its chief Executive officer, Tobias Lütke, holds most of these shares with a 6.5% ownership stake. Lütke is very highly regarded among Shopify employees, scoring an 88% Glassdoor approval rating. He has also been very active on **Twitter** during the COVID-19 pandemic, ensuring merchants have all the tools needed to make it through the lockdowns.

An emerging point of sale competitor

Lightspeed POS ([TSX:LSPD](#)) offers custom point-of-sale solutions to small- and medium-sized businesses. While it is true that the [growth shown by Lightspeed](#) has not been nearly as impressive as that of Shopify, we are still very early into the story. Since the company's IPO in March 2019, its shares

have increased about 75%. Had it not been for the COVID-19 pandemic, that figure could be even higher.

Lightspeed shares were battered at the outset of the pandemic, as investors expected the company to take a hit. Quick problem solving by management resulted in an increase in every important financial metric including: total customers, gross transaction value, and total gross profit.

Insiders at Lightspeed account for a 16.7% ownership stake in the company. Dax Dasilva, its CEO, holds a very large 15.9% of shares. Dasilva has been in the spotlight in recent years, being named Innovator of the Year by *The Globe and Mail* for his work with Lightspeed.

The future of enterprise training

The final company is the most recent IPO on the list, but it is already showing great promise in its short time on the market. **Docebo** ([TSX:DCBO](#)) listed on the Toronto Stock Exchange in October 2019. Since then, its shares have nearly doubled, increasing 90%.

The company specializes in enterprise training, offering a platform that allows managers to efficiently create training programs at a low cost. Docebo has an advantage over its competitors because of its proprietary artificial intelligence software, which allows managers to easily monitor employee performance and quickly optimize training programs.

Docebo insiders own an astonishing 79.7% of shares. Over 62% of shares are held by Jason Chapnik, chairman of the board, while CEO Claudio Erba owns 5.8% of the company. Erba has stated in an April 2019 interview that he understands and respects the importance of excellent work culture. With a solid ownership stake and an executive in Erba that believes in maintaining excellent team morale, you can be sure that Docebo will only get more intriguing in the future.

Foolish takeaway

Looking into the ownership stakes that insiders hold can be very helpful when choosing stocks. It allows investors to see what insiders think of the potential growth in the company. Management holding large ownership stakes also tend to be very passionate leaders, which will help performance in the long run.

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3. TSX:LSPD (Lightspeed Commerce)
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Date

2025/07/21

Date Created

2020/06/06

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