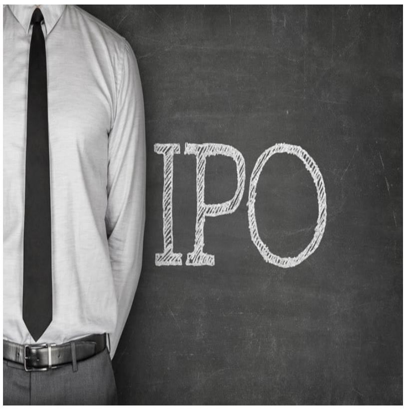

Will 2017 Be a Better Year for Canada's IPO Market?

Description

Accounting firm PricewaterhouseCoopers (PwC) crunched the numbers, and the results are in: 2016 was the worst year for Canadian IPOs since PwC started its annual survey in 1998.

A total of just $464 million worth of IPOs started trading on the TSX in 2016 — a sharp decline from 2015 when 13 different companies raised $3.9 billion in new financing. Only three companies issued IPOs on Canada's main stock exchange with a further five companies first listing on the much smaller Canadian Securities Exchange. These five companies raised a combined $2 million.

Women's fashion retailer **Aritzia Inc.** (TSX:ATZ) was by far the largest IPO in 2016 with its $400 million offering in early October. The retailer's shares are down since debuting, but only marginally. There's plenty of time for it to recover.

The other major IPO in Toronto was **CanniMed Therapeutics Inc.** (TSX:CMED), which raised $60 million. Shares are down more than 16% since they debuted on December 29.

The previous worst year before 2016 was 2008 when only 10 companies started trading on the Toronto Stock Exchange, all of which debuted in the first six months of the year. The total dollar value of those new issues was $547 million.

If we include issues that debuted on smaller exchanges that year as well, 2008 saw $682 million in IPOs — more than $200 million more than 2016.

The IPO market in 2015 was dominated by **Hydro One Ltd.** (TSX:H), the Ontario-based owner of power lines and transmission equipment. Approximately 25% of Ontario's population gets their power from Hydro One's power lines, and there is significant potential to make further bolt-on acquisitions over the upcoming years. **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) was also a large 2015 IPO.

What about 2017?

According to Dean Braunsteiner, the national IPO leader at PwC in Canada, 2017 could be a much better year for investors who like to buy recently issued companies.

“The year after the previous market low of 2008, the IPO market in Canada bounced back to $1.8 billion in 2009 and $5.5 billion a year after that,” he says. “It’s sometimes darkest before the dawn.”

My fellow Fool analyst Will Ashworth has already profiled one such expected IPO for 2017 from Freshii Inc., a restaurant chain that serves healthy fast food. Freshii has nearly 250 locations which are almost all franchised, and system-wide sales are on pace to more than triple in 2016 versus 2013.

There are a number of tech companies that could go public in 2017 as well with the most notable name being Vancouver-based Hootsuite Media Inc., which boasts more than 15 million customers and was once valued at more than US$1 billion by private equity partners.

Fairfax Financial Holdings Ltd. (TSX:FFH) is also planning an IPO in 2017, as it plans to raise up to $1 billion for Fairfax Africa Holdings Corp. Remember, Fairfax has already done this before, raising money for its India Holdings Corp. That deal alone will make 2017 a better year for IPOs than 2016.

The bottom line

With equity markets recovering smartly from lows set back in January 2016, the market is primed for some pretty serious IPO action in 2017. Look for a number of new issues to start trading in 2017. Investors should be cautious, however, since studies show the majority of IPOs tend to trade lower for the first year or two after hitting the market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:H (Hydro One Limited)
5. TSX:SHOP (Shopify Inc.)

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