2 Recent Canadian IPOs With Explosive Growth Prospects

Description

There have been a handful of promising IPOs to hit the TSX over the past year. Many Canadians have been hungry for promising new businesses to invest in, but it can be tricky to play the IPO game when there's not as much data available to investors at first.

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Warren Buffett prefers investing in the stocks of proven businesses that have a history of terrific results and a shown ability to consistently adapt to a changing environment. This means selecting stocks that have traded on an exchange for at least five years, but is this really enough to make an informed long-term investment decision?

I think it is, but the less time a stock has been public, the more homework the individual investor will need to do to ensure that the business will actually be a long-term outperformer. Ideally, a Buffettarian investor would prefer investing in businesses that have been public for over a decade, but that doesn't mean you should completely shut the door on IPOs.

Although the IPO game isn't for the faint of heart, those who can see the true potential of a business that recently went public can profit in a huge way, as in the case of **Shopify Inc.**

It's important to note that not all IPOs end up being huge winners; they could head south in a hurry, and the investors that didn't properly do their research could lose their shirts.

Two recent IPOs that have been the talk of the town of late are **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS) and **Freshii Inc.** (TSX:FRII). Let's take a closer look at them to see if your portfolio has a spot for either of these TSX newcomers.

Canada Goose Holdings Inc.

Canada Goose is a terrific Canadian winter-wear brand that has taken off in recent years. You may know someone who owns one of Canada Goose's parkas, which cost north of $1,000. The most intriguing part of this growth story is the fact that the company wants to build its brand to become a global force, and there's plenty of room to grow for the niche parka maker.

Canada Goose has grown at an astounding 38.3% CAGR over the previous three years, and there's reason to believe that more of the same can be expected over the next few years.

The stock, like the parkas that the company sells, is absurdly expensive after soaring approximately 35% over the last three months. There's a huge premium involved with buying shares right now, so I'd stick on the sidelines because a larger pullback could present itself over the next few months.

Freshii Inc.

Freshii is another great Canadian brand with explosive potential. The company is a restaurant operator which serves various fresh offerings aimed at the health-conscious eater.

The average consumer has become more health conscious, and Freshii is a terrific way to play this rising trend. The company has the ambitious goal of tripling its store count by the end of 2019.

The consumers love Freshii, and there has been a huge amount of demand from customers as well as potential franchisees.

The stock of Freshii has pulled back following its post-IPO surge, so it may be a good time to pick up a small chunk of shares if you believe the management team can successfully execute. Like Canada Goose, shares of Freshii are not cheap, but if you like the restaurant chain and you're an aggressive investor, it might make sense to slowly buy on any further dips that may happen.

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Better buy?

Both businesses are growing extremely fast and they both trade at premium valuations. Personally, I like Freshii more than Canada Goose right now because it's less cyclical and won't be crushed as hard when the next economic downturn arrives. There's also a larger market for quick-serve healthy foods than there are for goods like $1,000 parkas.

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