Jamieson Wellness Inc. Launches its IPO: Should You Buy?

Description

Jamieson Wellness Inc. (TSX:JWEL) launched its IPO last week, and it has already yielded a return of over 6%. Jamieson is a well-known and trusted brand for vitamins and supplements in Canada which focuses on purity and safety. The company also has a presence in China and other parts of the world. However, it is looking to expand into more regions of Asia, Europe, and the Middle East.

To grow, Jamieson is going to need help, and that is where the equity financing is going to come into play. Although revenue grew last year by a modest 7%, Jamieson has struggled to find profitability. The company has suffered losses in each of its last three years. However, Jamieson has had positive cash flows from operations and has also had strong free cash flows that have grown 7% the past year and 18% the year before that.

The problem is, the cash flows aren't enough. Jamieson currently has over $222 million in long-term debt on its books and a shareholder deficit balance of -$172 million. From a valuation standpoint, the stock is unappealing given its current challenges and desire to take on more risk by further expansion. But what the company lacks in its current value, it makes up for with its growth opportunities.

In addition to geographical growth, there are other reasons to believe Jamieson has a strong opportunity to see significant growth in its future. The first is the aging Baby Boomer population which is going to need more supplements and vitamins than healthier, younger people. When people look to supplements and vitamins, a trusted name has value, and that is what Jamieson hopes to cash in on.

People are also being more health conscious, and there is a growing desire to be more proactive in taking vitamins. Athletes are also taking supplements to help with training and development. Jamieson's acquisitions of Body Plus and Sonoma help position the company to take advantage of opportunities in the sports nutrition segment.

Another stock that recently launched its IPO, **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS), has seen returns of over 13% since its launch. Despite its recent quarter's year-over-year sales growth of over 24%, Canada Goose is much more limited in its growth opportunities than

Jamieson. The textile world is flooded with more intense competition, which results in narrow margins and profits that are hard to achieve.

Despite the challenges, Canada Goose has been able to turn profits. However, three of the company's past five quarters have had negative income numbers. Those aren't the only troubling numbers as the stock is currently trading at 194 times its earnings and around 18 times its book value. Clothing is a risky venture; just look no further than another high-end clothing company like True Religion Apparel, Inc. to see that high-end clothes and a strong brand aren't necessarily enough to succeed.

Among the new IPOs, Jamieson's stock has more upside, and given its market leadership, it also has less risk overall.

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djagielski