Which Recent IPO Is the Better Buy: Canada Goose Holdings Inc or Jamieson Wellness Inc?

Description

An IPO can be an exciting investment to get in on because of the attraction to get in early on the next big thing before everyone else does. However, being a public company means more exposure and more scrutiny from investors, while requiring more controls, processes, and audits to be put in place. It's no easy transition, and there are many costs and challenges that come along with the change.

I'll have a look at two IPOs that have launched this year on the TSX to compare how the stocks have done since the launch, and which one I believe is the better investment today.

Down coats and stock prices

Canada Goose Holdings Inc (TSX:GOOS)(NYSE:GOOS) began trading on the TSX back in March, and its stock is only up 1% since then, at a price of over $21 per share. In early June, the stock reached a high of $32.80 as a result of a stronger than expected fourth quarter. However, since reaching its peak the share price has tumbled down more than 30% to its current level.

Given where interest rates are heading and with mortgage costs set to increase for homeowners, it is difficult to see how much growth a company can have selling $1,000 parkas or $600 sweaters. Although demand has been growing and sales have more than doubled in three years, I am skeptical about how much growth can be left to achieve for a premium brand at a time when spending is going to be getting tighter for many consumers.

There is a lot of seasonality in the brand's sales, and three of the last five quarters have landed the company in the red. The company's earnings per share in the last twelve months is just $0.22. At Canada Goose's current price of just under $22, it is trading at about 100 times its earnings, making it an expensive valuation by any stretch. Typically you pay a premium for strong growth prospects, and in Canada Goose's case I just don't see where the growth is going to come from. By comparison, **Gildan Activewear Inc** trades at a multiple of less than 19 times its earnings.

Investor medicine

Jamieson Wellness Inc (TSX:JWEL) is a well-known vitamin maker and a strong brand in the health and wellness industry. It launched on the TSX less than two months ago and, in that short window of time, has seen its stock appreciate by over 8%.

The company has also struggled to turn profits, with the past two quarters being in the red, along with the most recent fiscal year showing a net loss of over $25 million. However, Jamieson has more opportunity for growth given vitamins are much more of a necessity than high-end winter clothing like Canada Goose. In addition, Jamieson is working on expanding into other parts of the world which will help drive its revenue further.

Bottom line

Both of these new stocks have had trouble turning profits, so you are effectively investing in potential and future upside as opposed to past and present performance. Jamieson is my choice for growth reasons and because of its focus on health and wellness the company has a much broader appeal than Canada Goose's premium apparel line. Jamieson also has a strong position in its industry which gives it a big advantage compared to Canada Goose that has relatively limited reach and market share.

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