



Hot Canadian Growth IPOs to Look Out for in 2018

Description

There's something about IPOs that's exciting. Even though many of us know that the risks associated with IPO investing are considerably higher compared to investing in stocks, which have at least a few years' worth of financial data available. The hype surrounding an IPO and the hopes of it being the "next big thing" are why investors buy an IPO within the first few days of trading.

Hype is usually off the charts on the first few days of trading, but once the dust settles, hype usually fades fast and, more often than not, major declines in the share price can occur across a very short time span. So, when it comes to buying an IPO, it's always important to only bet what you can afford to lose, especially since you probably don't have enough material to make a really informed long-term decision. In addition to considering the future growth prospects of a newly traded business, it's also important to get the value right, which can be a daunting task. A lot of the time, the IPO price is not a good value, but some of the time, an IPO may be priced substantially below what the market deems as "fair."

What's in store for the Canadian IPO scene in 2018?

You may be familiar with the rising trend of e-commerce grocery-delivery services. The grocery retail space is set to experience huge transformations over the next five years, and you can bet there will be new businesses rising up with the hopes of causing a huge disruption in the grocery space.

Major grocery-space disruptors are meal-kit delivery companies, which have been emerging all over North America. You've probably heard of **Blue Apron Holdings Inc.** ([NASDAQ:APRN](#)) and its numerous competitors. They ship recipes and the ingredients to make delicious meals right to your door on a subscription basis.

In Canada, we have similar services offered by HelloFresh, Chef's Plate, and MissFresh, just to name a few. **Metro, Inc.** ([TSX:MRU](#)) recently bought a majority stake in MissFresh with the hopes that it can adapt to the fast-changing grocery retail environment.

Toronto-based start-up Chef's Plate is on schedule to hit \$50 million worth of sales in 2017, and the management team has been reportedly interested in an IPO as early as next year. Chef's Plate is one

of Canada's fastest-growing start-ups right now, and there's definitely a tonne of upside that could be realized over the course of the next few years. Online sales account for less than 1% of the \$90 billion Canadian grocery market, which is considerably lower than that of the U.S. and the U.K.

According to the research firm Technomic, the meal-kit industry is estimated to grow at US\$10 billion in sales by 2020. That's a gigantic opportunity, and there are many reasons to believe that meal-kit delivery services are the future and not just a fad that'll fade with time.

Should you buy into Canadian meal-kit e-commerce IPOs?

There's a promising runway for growth, but competition is ridiculously fierce. Many start-ups from around the world are hungry to capture a slice of the pie, and it's possible there may only be a few winners in a sea of losers, so it's important to thoroughly analyze each potential IPO's growth profile and available financials in order to increase your odds of picking a real long-term winner.

If you're not a fan of IPO investing, but still want to get in on the meal-kit e-commerce action, then you may wish to buy shares of Metro at some time down the road if the company can show meaningful progress in the e-commerce grocery-delivery space. The MissFresh deal is a step in the right direction, but we'll need to wait and see what Metro's next move will be to adapt to a rapidly changing grocery retail landscape.

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joefrenette

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