



Should You Buy the Roots Ltd. IPO?

Description

Roots Ltd. ([TSX:ROOT](#)) is set to go public next week at \$12 per share, lower than the original target range between \$14 and \$16. The initial value of the company is slated to be \$504 million. The management team is looking to raise approximately \$200 million from going public, which puts the expected valuation at ~\$700 million.

Roots has ambitious expansion plans and hopes to bump sales to \$450 million by fiscal 2019, a huge jump from the \$281.9 million worth of sales recorded for fiscal 2016. The management team is ready to put its foot on the pedal after the IPO goes live, and it's expected that many investors will be hungry for a piece of Roots, which has been a Canadian icon, like **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)), for decades.

Approximately 10 new stores are slated to open in Canada by the end of fiscal 2019, with up to 14 new stores in the U.S. In addition to physical expansion, Roots is also pushing to beef up its e-commerce presence.

Roots is a well-respected brand that's a household name across the entire nation, so you can bet that there'll be a tonne of hype in the days leading up to and following IPO day.

While it can be tempting to pick up shares in the first few trading sessions, it's important to remember that playing the IPO is not for the faint of heart. Like with any IPO, shares are expected to experience a sharp surge of volume in the first few trading sessions, which means you could lose your shirt in a hurry.

If you're keen on owning a piece of Roots, your best bet would be to wait until the dust settles. Personally, I wouldn't buy shares of a company until it has been public for at least a few years. Many of us don't know enough about the management team and how they'll respond to investors. Are they going to be shareholder friendly? Will they overpromise and drop the ball, like the management team at **Freshii Inc.** ([TSX:FRII](#)) did?

These questions will eventually be answered, so I don't think investors should be in a rush to pick up shares before they take off.

Retail is a tough industry to be in right now, and Roots isn't immune to the headwinds. However, I believe the brand is strong enough, such that the company can weather the storm. Many customers are loyal to the brand, and I believe the company can continue to grow while most of its peers close up shop.

Bottom line

Roots IPO day is on the horizon, but before you jump in head first, it may be a more prudent choice to wait until the initial volatility settles down. Unless you're a huge Roots fanatic or an experienced trader, I wouldn't think about picking up shares, at least not in the first year.

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