



## 2017 IPO Review: Roots Corporation

### Description

This year was a good one for one iconic Canadian clothing retailer: **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)). But there was another prominent retailer that stumbled out of the IPO gate: **Roots Corporation** ([TSX:ROOT](#)). Let's take a look at Roots' rocky ride this fall.

### The IPO

Roots went public on October 25, six months after Canada Goose had its own successful launch. The stock was priced at \$12 per share and quickly plunged over 16.67% on its first trading day. Why did it fare so poorly? Well, traditional retailers have struggled in recent years to attract and retain customers. Many have been pushed out of the market or have been marginalized by online retailers such as **Amazon.com, Inc.** ([NASDAQ:AMZN](#)). Fool contributor Joey Frenette [talked](#) about these issues in his article the day after the Roots launch.

### How the stock looks now

The stock reported third-quarter earnings in early December, giving investors their first results to analyze since the IPO. Revenue came in at \$89.69 million, a year-over-year increase of 12.9%. In the not-so-good category, net income was \$4.98 million, which was off the previous year's numbers by 15.65%. Net profit sits at 5.55%, also off the pace by 25.4%. However, overall margins were up, along with EBITDA. You can read more earnings analysis by Fool contributor Will Ashworth [here](#).

The company hasn't announced much news beyond the earnings results since its IPO. The only semi-major announcement was the launch of a new store, which I [discussed](#) last month.

In terms of stock price, Roots hit an overall low of \$8.55 this fall and a high of \$11.55. The company has never equalled the IPO price since its October launch. Although it does currently trade in the \$11 range, it's been up and down over the last two months. Its trailing P/E ratio is high at 33.14, but it's far better than some of its competitors, such as Canada Goose.

### Investor takeaway

Roots didn't get the start it wanted, but it's more or less stabilized within a few dollars. I'm looking for more earnings results in 2018 before I decide whether or not I like this stock.

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1. Investing

## TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:GOOS (Canada Goose)
3. TSX:GOOS (Canada Goose)
4. TSX:ROOT (Roots Corporation)

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