



This 2017 IPO Could Be the Biggest of Winners in 2018!

Description

A ridiculous amount of hype usually follows IPOs, but that was hardly the case with **Roots Corp.** ([TSX:ROOT](#)) hitting the TSX late last year. The company has very firm roots in Canada and has been a household name for many decades as a non-publicly traded company. That said, the tough times facing the broader retail industry in recent years has caused many investors to take a raincheck on a company that has created what many Canadians would agree is one of the most iconic brands that symbolizes what it means to be Canadian.

Roots has clothed Canadians with plaid shirts, leather bags, athletic wear and home furnishings for many years. And although digital disruption is a force that's not to be taken lightly, Roots has not only been able to weather the storm, but as a publicly-traded company, it's also in a position to grow at a rate that may have proved impossible in the past.

The company has an [iconic brand](#), with a logo that's recognizable even for many of our neighbours south of the border. Few things are more Canadian than the beaver logo, and it's proudly displayed across the wide range of merchandise.

What separates Roots from other high-fashion retail duds like **Aritzia Inc.** ([TSX:ATZ](#))?

Aritzia has a cult following with younger women; however, the brand isn't as robust as that of Roots, and being in a high-end fashion industry typically requires ample amounts of spending on designing new articles of clothing that may go in and out of fashion over a ridiculously short timespan.

Is a hot jacket for the first week of the spring season going to remain popular in a few months? Or is the jacket's fate going to be on the bargain rack? There's really no way to know this. Unfortunately, the nature of Aritzia's business makes it a notoriously difficult investment, especially when times get tough and consumer spending takes a dive.

Roots though offers "essential" items catered to a very wide audience. Any Canadian can walk into a Roots store and find something timeless. We're talking leather jackets, hoodies, and sweatpants. These timeless pieces of clothing don't depend on what's hot, although they are still subject to seasonal fashion trends. Beaver-crested sweatpants aren't necessarily an item that you'd consider in

the category of high-end retail unless of course, you're talking about Aritzia's "fashionable" stretch pants!

A fantastic Q4 fiscal 2017 and a very bright outlook

Roots' stock recently surged nearly 10% in a single trading session following its outstanding Q4 results. The company really knocked one out of the ballpark, impressing the most bullish of analysts with its astounding 15.1% same-store sales growth (SSSG) in its direct-to-consumer (DTC) segment.

On a year-over-year basis, DTC sales soared 17.6% thanks in part to a beefed up e-commerce platform that's only going to get better. In spite of the rise of digital disruptors, brick-and-mortar stores are still seeing very strong amounts of traffic.

Even if consumers gravitate towards buying things online, the only place they'll find Roots is through Roots. It's a [powerful brand that was built on decades of trust](#), making it seemingly impossible for a competitor to disrupt Roots through the leveraging of technology.

Management has done an impeccable job of adapting, and the proof is in the pudding. Roots delivered a grand slam in Q4, and I think shares could be on a sustained rally to much higher levels from here. As such, Roots is my top stock for 2018 from the IPO class of 2017.

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