



3 Reasons This Recent IPO Is Ready to Take Off

Description

MAV Beauty Brands ([TSX:MAV](#)) is projecting 25% annual sales growth over the next three years, yet it's been unable to crack its \$14 IPO price since going public July 10.

Marc Anthony Venere, the founder of MAV, has been a hairstylist to some of the biggest stars including Eva Longoria, as well as running his hair salon, but the personal care products have taken him to where he is today — the CEO of a business that's projected to generate US\$160 million in annual revenue by 2020.

Before MAV Beauty went public, I [discussed](#) the five things investors needed to understand before buying its stock.

While I liked the idea of a Canadian beauty products business going public, I thought investors were better off buying **Estee Lauder** ([NYSE:EL](#)) at four times sales than paying six times sales for a company that's not nearly as established.

That said, I was thinking of the average investor who can't afford to lose their investment, but if you're an aggressive investor who doesn't mind a little risk, MAV stock isn't a terrible bet.

Here are three reasons why.

U.S. expansion should do wonders

One of MAV Beauty's strategies for growth is to conquer the U.S. market. And while many investors snicker whenever a Canadian company proclaims it's going to take Manhattan so to speak, I think the company's plan is a good one.

MAV Beauty has three major brands: Marc Anthony (the original), Cake and Renpure (acquisitions). Right now in the U.S., MAV Beauty has 47 retailers carrying its products. However, 36 of those retailers carry just one of the three brands. **Canaccord Genuity Group** analyst Camilo Lyon believes getting more of the brands in each of the stores could be worth \$36 million in revenue over the next three years.

Of those retailers, 67% of its revenue is from large drug-store chains such as Shoppers Drug Mart in Canada and **CVS Health** ([NYSE:CVS](#)) in the U.S. If MAV can branch out beyond the most obvious candidates, it can build its sales base south of the border.

Innovation is in its DNA

Venere is all about innovation and speed to market. According to the CEO, MAV Beauty gets new products to market in 3-6 months compared to 2-3 years for companies like Estee Lauder.

Millennials and other young consumers want products that are timely and customized to their specific needs. Like the trend to fast fashion, consumers want it now, and if one company can't meet their needs, they'll find one that can.

I don't know if **Ulta Beauty** [sells](#) any of the company's products yet, but having an innovation mindset should help it gain counter space.

Analysts like it

All five analysts who cover MAV Beauty's stock have a buy on it with an average 12-month target price of \$17.50 with Camilo Lyon giving it a \$22 target, 65% higher than where it trades today.

In the second quarter ended June 30, 2018, MAV Beauty had revenue of US\$22.9 million, 36% higher than a year earlier; its adjusted profit was US\$3.2 million, 35% higher than in the same period a year ago.

Revenues were higher as a result of greater penetration in the North American market. It expects total revenue of US\$81.4 million in fiscal 2018, representing 19% growth year over year. On the profit front, it expects adjusted EBITDA of US\$27 million in 2018, 10% higher than in 2017.

The verdict on MAV Beauty

I wasn't ready to recommend MAV stock back in early July, but I'm starting to take a shine to it. If you've got some funds set aside for speculative bets that you can afford to lose, MAV Beauty's stock looks like it's ready to launch.

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Date

2025/07/01

Date Created

2018/09/01

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