



## A Year Later: Not Even Cannabis Stocks Can Save Canadian IPOs

### Description

Through the first seven months of 2018, the TSX saw a number of initial public offerings (IPOs). In total, there were seven companies that began trading on Canada's largest index. In looking at their performance a year later, one thing is clear: the 2018 IPO market was a dud.

Of the seven IPOs, only two are trading above their list price: **The Green Organic Dutchman** (TSX:TGOD) and **Minto Apartment REIT** ([TSX:MI.UN](#)). The Dutchman has eked out a 3.67% gain, while Minto has had tremendous success, as its share price has risen 32.34% since going public in early July of last year. The good news stops there.

Every other IPO from the first half of 2018 is in negative territory and by a large margin. If an investor jumped in on the ground floor on any of the following IPOs, then they are currently staring at double-digit losses:

- **BSR Real Estate Investment Trust**
- **Steppe Gold**
- **IPLP Plastics**
- **Pinnacle Renewables**
- **MAV Beauty Brands**

The [worst performers](#) of the quintet include Steppe Gold and MAV Beauty brands. They are down 57.50% and 52.79% from their respective list prices.

As a retail investor, if you were "lucky" enough to get in at the list price, then your fate was sealed. Typically, when an IPO is in high demand, it is very difficult for retail investors to fill their IPO expressions of interest.

If retail investors are successful, it is most likely a sign that the large industry players avoided the IPO. The result? Retail investors are left holding the bag in under-subscribed IPOs and often have significant losses.

On the flip side, if there is high demand, retail investors will get left in the cold and will be forced to buy

on the open market — likely, at a higher price.

Case in point, The Green Organic Dutchman opened at a 24% premium to its list price, and Minto REIT was at a 7% premium. As such, investors who bought TGOB when it first began trading on the open market would actually have a 9.65% negative return. Minto shareholders would still be sitting on healthy gains of 24% but still much lower than had they been successful in subscribing to the IPO.

It is for this reason that [investing in IPOs](#) is akin to gambling. The best course of action for retail investors is to remain patient. Let the market settle before making any rash investment decisions.

It is also important for investors to read and understand the company's prospectus. This document is rich with information and is a must-read. If you want to avoid the next MAV Beauty Brands or Steppe Gold, then due diligence is of the utmost importance.

## CATEGORY

1. Cannabis Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:MI.UN (Minto Apartment Real Estate Investment Trust)

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