
# Revealed: This Soured 2016 IPO Has Never Looked Sweeter!

## Description

The boom and bust nature of IPOs is to be avoided by smart investors who'd rather not gamble with their hard-earned investment dollars. While it's more prudent to sit on the sidelines with popcorn in hand as you enjoy the show from the sidelines, many investors may be uncertain as to exactly when it's "safe" to jump into the recent IPO investment waters.



Should you wait a year, two years, or five years after an IPO?

While it's a good idea to wait for the dust to settle and the hype to die down, it could take over five years before there's enough public market data to make a truly informed long-term investment decision. Depending on your circle of competence and risk tolerance; however, the amount of time before it's "safe" to buy a stock after it hits the public markets is subjective. And there's really no one-size-fits-all solution.

If you're a young investor with a tolerance for risk, it's forgivable to check out IPOs a year or so after they hit the **TSX** index. By then, most of the hype has died down, speculators have made their quick buck, and an unfortunate bunch got left holding the bag.

Consider **Aritzia** (TSX:ATZ), a 2016 IPO flop that many of us likely forgot about.

I was never a fan of the Aritzia IPO, urging investors to avoid the hype on the trendy retailer of women's clothing, citing the high degree of fashion risk and excessive discounting as causes for concern. I also wasn't convinced that the company's U.S. expansion would be a boon for the stock.

Now that Aritizia has had several quarters clocked in the public markets, my tune has changed on the name. While the company's top-line growth and margins remain susceptible to uncertain changes in fashion trends, I do think the company has been doing a lot of things right, and at today's valuations, the name now makes for a reasonable investment.

More specifically, I'm a fan of the firm's wise decision to leverage social media influencers as a part of their past marketing campaigns.

More recently, Aritzia soared 7% in a day on the release of its decent Q1/F20 results. Adjusted EPS of $0.17 beat the Street estimate of $0.15, but management noted of excess inventory at the end of a quarter — a major risk I highlighted in prior pieces.

Erratic weather conditions were the main culprit for excess inventory of spring and summer items, but given the fickle nature of high-fashion retail in general, it was expected that such a scenario was to play out, leading to a larger magnitude of discounting — a drag on the company's gross margins.

Moving forward, Aritzia is ready to expand beyond the confines of Canada with influencers on its side, more international brand recognition, and a healthy balance sheet. Given the solid catalysts on the horizon, I'd add the soured IPO to my buy list here and now.

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