



3 Recent Canadian IPOs I'd Buy Today

Description

[Investing in IPOs](#) is a bit like playing with fire.

Most investors look for some sizzle, but most end up getting singed thanks to the boom-and-bust nature that comes with overhyped, oversubscribed new issues on the public market.

While I'd never advise a Foolish investor to mess around with IPOs that are hot off the shelf of the TSX, I think it's a wise decision to scavenge the wreckage *after* the bust phase, *after* the hype and trading volumes have died down significantly, because it's times when nobody's paying attention where there's a chance to nab a bargain.

In a way, after the boom and bust subsides is the moment that value investors should be most excited about. You would think that having clocked in a few quarters would have investors more willing to pay up for a recent IPO, but you'd be wrong, and that's due to the sheer impatience of IPO traders who are rounded up abruptly.

Without further ado, let's have a closer look at three IPOs from the past three years that I think are in buy territory.

Canada Goose Holdings

The winner of the IPO class of 2017 was undoubtedly **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)), the luxury outerwear maker that had a massive boom until the broader markets fell off a cliff late last year.

Dragged down by a China woes and a sub-par quarter, Canada Goose suffered a peak-to-trough decline that exceeded 50%. Although shares have bounced back, I still think there's considerable value to be had now that most of the weak hands are out of the stock.

As a manufacturer of a conspicuous good, the Goose is highly cyclical and is at risk of magnified losses come the next economic downturn, and although the ridiculously volatile name probably isn't for

most investors, I think young investors who are able to take short-term pain should be in the stock at these levels.

Canada Goose is in the early innings of what could be a growth story for the ages. Management, led by family businessman Dani Reiss, is exceptional, and the growth potential from China could easily turn the Goose into a multi-bagger over the years.

Ceridian HCM Holdings

Up next, we have the winner of the 2018 IPO class in **Ceridian HCM Holdings** (TSX:CDAY)([NYSE:CDAY](#)), a SaaS play that aims to penetrate the massive human capital management (HCM) market that's expected to be worth around US\$30 billion by 2023 with a CAGR of around 8.7%, according to a report issued by *ResearchAndMarkets*.

Managing human capital is a capital-intensive task for many firms, and as Ceridian and its peers continue adding to their platforms, we may very well find everyday HR tasks being automated by powerful cloud-based SaaS platforms like Ceridian's all-in-one platform Dayforce HR.

Leading the charge is David Ossip, one of the most seasoned men in the field of HCM. Although the Ceridian IPO was largely under the radar last year, I think the name offers growth-savvy investors a very compelling risk/reward trade-off over the next decade and beyond. The field of HR is ripe for technological disruption, and Ceridian has what it takes to be a top player in the space.

The stock trades at 9.1 times sales, which isn't that expensive when you consider the market opportunity and the innovative capabilities of the company.

Roots

Finally, we have the biggest bust on this list. The boom was mild and short-lived as the 77% peak-to-trough drop took over. Over the past year, shares of Roots have consolidated at around \$3 and change with a market cap south of the \$150 million mark.

Given how legendary the Roots brand is in Canada, IPO investors probably never would have guessed the name would ever trade at these depths. If the name were featured on David Gardner's "Rule Breakers" market cap game show, almost everybody would be wrong by a country mile.

Today, the DTC sales channel is a bright spot, but declining gross margins are indeed a cause for concern. As we head into the latter part of the year, there are few reasons to believe that headwinds will subside, but given the name [trades for peanuts](#) (0.4 times sales and 7.2 times EV/EBITDA), I'd say the name is ripe for buying.

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TICKERS GLOBAL

1. NYSE:CDAY (Ceridian HCM Holding Inc.)
2. NYSE:GOOS (Canada Goose)
3. TSX:GOOS (Canada Goose)
4. TSX:ROOT (Roots Corporation)

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