2 IPOs That Have Been Big Disappointments in Recent Years

Description

As exciting as IPOs may be, they don't often make for the best investments. There's a lot of uncertainty involving them, which can make them unappealing buys. The two stocks listed below are good examples of recent IPOs that have underwhelmed investors, producing produced less-than-stellar returns since going public.

While you would have made a good profit if you were able to invest in **Snap Inc** (NYSE:SNAP) on day one, it's been a much different story since then as the stock has crashed heavily.

A lack of profitability, less-than-impressive growth numbers and no shortage of negative press surrounding the company have helped sink the stock to lows of less than $5 per share last year. That's a hefty fall from the $29 it reached in the first couple of days of trading.

And while Snap has been recovering in 2019, it still has a long way to go to get back to trading at where it was at its peak.

The problem is that although the company has been growing its sales, its losses have been in the billions over the past couple of years, and it's hard for investors to justify buying shares of a company where there is little moat.

We've already seen social media sites knock off some of Snap's key features, and there's just no big competitive advantage there, which could be a big obstacle for the stock going forward.

Hydro One Ltd (TSX:H) also looked like a promising IPO a few years ago when the Ontario utility company went public.

However, investors were reminded of why the stock was always going to be limited in its performance when the Ontario government began to meddle with the company's operations. It even led to a big acquisition involving a U.S. company falling through.

Since it began trading on the TSX, Hydro One investors that have held onto the stock since then have enjoyed slim returns of around 2%. While it has helped that the stock also pays a dividend of more than 4% annually, that's generally not a reason for investors get excited for an IPO.

While there is the temptation to perhaps buy the stock in hopes that the Ontario government takes it private again, there are few other reasons to buy the stock other than its dividend.

Bottom line

IPOs might offer good returns for investors under ideal circumstances where the stock is priced well and the company performs as expected. However, that isn't the case in many instances, and even some of the top tech stocks on the markets today stumbled out of the gate.

There's no way to know for sure how an IPO will perform and which path it will take, and that's why buying on day one can make it a very risky investment. The two stocks listed here should be good reminders for investors as to why IPOs are far from a sure thing.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SNAP (Snap Inc.)
2. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/23
Date Created
2019/07/20
Author
djagielski