2 Recent Canadian IPOs to Put on Your Radar

Description

Canadian initial public offerings (IPO) haven't had too much traction this year. There simply has been too much going on, what with supply chain shortages, short squeezes, and, of course, the pandemic still raging. However, that means there is likely still time to get in on strong Canadian companies making stellar IPOs.

Two I'd like to look at on the **TSX** today are **Neighbourly Pharmacy** (TSX:NBLY) and **Pet Valu Holdings** (TSX:PET). Both had their IPOs earlier this year, so let's see how they've done and what Motley Fool investors have to look forward to.

Your neighbourhood pharmacy

Neighbourly made its IPO back in May of this year. Yet it's already been impressing analysts and was even declared a breakout stock back in July. Management has shown increased confidence in the stock, leading analysts to raise their expectations to "outperform." A lot of this growth comes from the company's merger and acquisition strategy — a strategy that has created "highly achievable" EBITDA growth.

Neighbourly continues to be in a "niche competitive position" thanks to this merger and acquisition strategy in rural markets, and this will likely guide outlooks for several years to come. However, today, the stock looks fairly valued. Those seeking to invest in Neighbourly have a decision to make: either wait for a pullback to the mid-20s, or hope that the current breakout continues. And that does look likely. The company is run by former vice president of Shoppers Drug Mart, Chris Gardner, who has strong experience in the pharmaceutical industry.

The company maintains a strong balance sheet, with reported revenue up 58% year over year during the latest earnings report. Adjusted EBITDA was up 115% year over year, though same-store sales increased just 0.4% thanks to the pandemic. Analysts are bullish about the stock and believe revenue will continue to rise, along with same-store sales, for the next several years. Shares are up 6% in the last three months and 32% since coming on the market, though it's come down from the 48% growth it experienced at the beginning of September. So, now might be a good time to jump on the recent pullback.

Your best friend

If you love pets and you love investing, you’re going to love Pet Valu. The company continues to deliver strong quarterly results, most recently delivering well above expectations. There is a lot of growth within the pet industry, and the end of the pandemic is likely to see a surge in growth. This will come from new stores, added services, more digital access, its loyalty program, and its store-owned brands. Analysts have given it either a “sector perform” or “outperform” rating in recent months, with the average share price for the next year stretching to $33 per share. That would represent a one-year potential upside of 10% on top of its 12% growth in the last year.

However, there was a surge in growth of 33% since coming on the market in June that trailed off afterwards. This was likely tied to the strong quarterly performance. However, supply chain issues may be getting in the way, with investors fearing the future of the stock. The company maintains its 2021 outlook of $730 million in revenue supported by same-store sales growth, and adjusted EBITDA of $158 million. On top of this, a secondary bought deal offering of $226 million was just closed by Pet Valu for a share price of $32.25 — a premium of 9% as of writing.

Pet Valu shares continue to trade around fair-value territory, but this is a strong long-term hold for Motley Fool investors. The company is the largest pet company in Canada, with plenty of growth on the way as the pandemic restrictions ease, as do supply chain issues. So, I would highly recommend watching this stock, especially after the recent pullback of 13% in the last month.

CATEGORY

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2. TSX:PET (Pet Valu Holdings Ltd.)

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