



2 Recent TSX IPOs to Put on Your Watchlist

Description

Investing in recently listed companies can be considered a speculative venture considering the lack of earnings and revenue visibility associated with these firms, at least in the initial months. But the risk/reward profile of [IPO stocks](#) remains enticing, as most companies raise capital to support their growth initiatives.

Here, we'll take a look at two recent IPOs trading on the TSX that should be part of your shopping list right now.

Definity Financial

A company valued at a market cap of \$3.11 billion, **Definity Financial** ([TSX:DFY](#)) provides property and casualty insurance products in Canada. It offers insurance products across verticals, including auto and property as well as pet insurance, under multiple brands.

Shares of Definity Financial were listed on the TSX last month at \$22 and DFY stock is currently priced at \$30. The company raised \$1.4 billion in its public listing and sold \$700 million worth of shares in a private placement, taking the total capital raised to \$2.1 billion. The IPO was the largest one of the TSX this year and the third largest since 2016.

[Definity Financial](#) has grown its top line at a steady pace, as Canada's property and casualty insurance industry touched \$63 billion in 2020, up from \$38 billion in 2010, growing at an annual rate of 10%.

Definity Financial is now the largest fully digital D2C (direct-to-consumer) insurance business in Canada and is positioned to gain market share in a mature industry, as millennials are embracing digital solutions across verticals.

The company aims to leverage machine learning, AI, and data analytics capabilities to simplify its customer acquisition process and improve customer retention rates. It has increased gross written premiums to \$2.81 billion in 2020, up from \$2.45 billion, and now aims to grow this metric by 10% each year going forward.

Definity Financial also reported an operating net income of \$184 million in 2020 compared to a loss of \$101 million in 2018, which suggests the company enjoys high operating leverage.

Coveo Solutions

Coveo Solutions ([TSX:CVO](#)) announced the closing of its IPO last month, [where it issued](#) 14.34 million shares at a price of \$15 per share, raising \$215 million in gross proceeds. It provides applied artificial intelligence solutions, and the company's cloud-native SaaS (software-as-a-service) platform integrates search, recommendations, as well as personalization solutions into digital experiences. Basically, it provides connected relevance for multiple use cases across commerce, website, service, and workplace applications.

CVO stock is currently trading at \$15.8, valuing the company at a market cap of \$1.63 billion. The company has increased sales from \$44.3 million in fiscal 2019 to \$64.85 million in fiscal 2021 ended in March. Analysts expect sales to touch \$83 million in fiscal 2022, valuing the stock at a forward price-to-sales multiple of 19.6 times, which is steep.

Coveo is part of a rapidly expanding market and has already delivered strong bookings growth over the last few quarters. Analysts covering CVO stock have a 12-month average price target of \$19, which provides an upside potential of over 20% to investors.

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