



Pet Valu (TSX:PET): 18.18% Return From IPO Is the Beginning of Growth

Description

The **TMX Group**, the operator of three stock exchanges, had a [terrific 2021](#) thanks to a record number initial public offerings (IPO). The **Toronto Stock Exchange** welcomed 35 companies, including **TELUS International**, the [biggest tech IPO in TSX's history](#). However, not all can claim success since going public as the stocks trade below their listing prices.

Pet Valu Holdings (TSX:PET) is among the new names that deserve attention from growth investors. The nature of the business is intriguing and fascinating. This \$2.19 billion company is Canada's leading retailer of pet food and pet-related supplies. At \$31.25 per share, the total return from its [IPO](#) on June 24, 2021, is 18.18% (21.06% CAGR). It also pays a modest 0.22% dividend.

Management banks on its long-term business model to deliver another year of growth. Richard Maltzbarger, Pet Valu's President and CEO, said, "Our strong fourth quarter performance capped off a record year for our business, where we made significant advancements in our strategic agenda, despite a challenging operating environment."

Business growth ahead

For fiscal year 2021 (12 months ended January 31, 2022), total revenue grew 19.7% to \$776 million versus fiscal 2020. The year's highlight was the net income of \$98.79 million, a 245.2% year-over-year growth. In Q4 fiscal 2021, the bottom line increased 93.4% versus Q4 fiscal 2020.

The 10.5% increase in same-store transactions and a 6.6% increase in same-store average spend per transaction resulted in a same-store sales year-over-year growth of 17.8%. Pet Valu has recovered from the significant impact of the global pandemic and government mandated lockdowns in 2020.

According to management, the year-over-year growth in the first half of this fiscal year should be stronger. Moreover, as pandemic spend tailwinds ease, Pet Valu expects the growth of the pet industry to gradually normalize to historical levels through 2022.

Brand appeal

Pet Valu became the market-leading specialty pet retailer in Canada due to its brand appeal. The company anchors its growth agenda on it to ensure continued success. Currently, it boasts the largest small format specialty retailer of pet foods, and treats plus toys and accessories. Pet parents and pet lovers are the target markets.

Maintaining brand awareness is an ongoing concern because a low level could adversely affect the business and financial results. Pet Valu leverages its national store network and implements a 360-degree marketing approach to retain customers and win over new ones.

Strategic store expansions, renovations, and relocations help sustain business growth. Furthermore, management uses analytics and capitalizes on e-commerce and omnichannel opportunities. Pet Valu sources its merchandise directly from lowest cost suppliers with high-quality standards. However, maintaining supply chain is key in the present environment.

Pet Valu's store footprint grew at a compound annual growth rate of 3.4% between 2019 and 2021. It opened 15, 18, and 28 new stores in the last three years. The plan is to open 25 to 35 new locations this year. Still, specialty pet retailers, big-box retailers, grocers, veterinary clinics, dollar stores, and department stores present stiff competition.

Critical factors

The pet products and services retail industry is a lucrative business, but consumer trends, preferences, and consumer spending are ever-changing. Pet Valu must be proactive to predict and respond to these critical factors.

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Date

2025/09/30

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2022/05/11

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