



Better Buy: Canada Goose Holdings Inc. or Shopify Inc.?

Description

Canada Goose Holdings Inc. ([TSX:GOOS](#))([NYSE:GOOS](#)) and **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) released financial results in August that beat analyst expectations. Both posted smaller-than-expected losses, but the stocks have moved in opposite directions since then.

Shopify stock has risen 11% since the August 1 earnings, which saw the company benefit from signing up brands like BuzzFeed Inc. and **Visa Inc.** The company has seen remarkable growth, but it has yet to become profitable. After the recent results, management expressed confidence that Shopify will be capable of posting a profit by 2018. Its revenue saw 75% growth to \$151.7 million in the second quarter, and operating costs increased 83%, which drove the widening of its net loss.

The company also raised its 2017 top-line projection to \$642-648 million from the originally expected \$615-630 million. Investor sentiment has been bolstered by the large growth seen in e-commerce spending.

On August 10, Canada Goose also posted a smaller-than-expected quarterly loss for fiscal Q1 2018. Revenue from the wholesale unit jumped 38.2% to \$19.9 million, and direct-to-consumer sales increased to \$8.3 million. Total revenue soared 79.7% to \$28.2 million. The company reported decreased loss of \$12 million, or \$0.11 per share. Shares initially jumped 5% on the news, but the stock surge was short-lived as tensions on the Korean Peninsula drove investors away from riskier plays. Canada Goose stock dropped below the pre-earnings price in the following days.

Canada Goose stock has now dropped 11% month over month as of August 25. The company is still dogged by concerns that investors have over the long-term health of the brand and its ability to branch out of its signature winter clothing. In August, it also announced that it would launch a line of knitwear as part of a fall package in an attempt to broaden seasonal offerings.

The knitwear is being made in Italy and will be subject to a small initial offering to draw interest. Customers are able to view the midweight and heavyweight knits on the Canada Goose online catalogue, and the item will be available at select retailers as well as Canada Goose outlets.

Should investors buy the dip or ride the wave?

Shopify stock has seen remarkable 122% growth in 2017 and 144% year over year. Overall e-commerce sales are expected to grow from 7% of total retail sales this year to 10% in 2020 in Canada. This means that Shopify is in an incredible position to take advantage of this explosive growth. There can be no doubt it is a premium growth stock, but it is an expensive one riding a sharp upswing.

Canada Goose finds itself in the more volatile fashion industry, and retail stocks have been thrashed in recent years. Still, demand and sales for luxury goods remains high, and Canada Goose is positioning itself to take advantage of Asian markets that are seeing explosive growth in this area.

In uncertain economic times, I like the low price and growth potential of Canada Goose over the expensive Shopify.

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