Roots Corp. IPO Flops: Buy These 2 Clothing Retail Stocks Instead

Description

Shares of **Roots Corp.** (TSX:ROOT) fell 4% on October 26, as it continued its disappointing opening week on the Toronto Stock Exchange. In my September preview of Roots's initial public offering, I stressed the tumultuous last few years for clothing retail.

Unfortunately for Roots, it also made its debut on the same day the Bank of Canada announced it was staying its hand on interest rates due to economic uncertainty. On October 20, Statistics Canada posted a report which showed that retail sales dropped 0.3% in August, which may also give investors pause, as the potential for a slowdown in the Canadian economy becomes a reality in the last few months of 2017.

But does the rough start for Roots signal a broader retreat for clothing retail stocks? The recent collapse of Sears Canada and the shakeup at **Hudson's Bay Co.** has reignited concerns for traditional retail. However, there are still solid options available for investors. Let's look at two clothing retail stocks that are in a good position heading into 2018.

Aritzia Inc. (TSX:ATZ) had its initial public offering in October 14, 2016. The stock experienced early success and reached its all-time high of $19.04 late the same month, but it has since been in a steady decline. Aritzia is a Canadian design house and fashion retailer. The company has over 75 retail stores and has made a commitment to boosting its e-commerce platform.

Aritzia released its fiscal 2018 second-quarter results on October 5. Net revenue experienced 10.2% growth year over year to $174 million compared to $157.9 million in fiscal Q2 2017. Sales growth was 5.4%, and adjusted EBITDA increased 4.5% to $20.7 million. The company also posted net income of $5 million compared to a net loss of $67.3 million the previous year.

Much of the growth was driven by an increase in e-commerce business. Total e-commerce retail sales in Canada are up 41.9% year over year as per the last report from Statistics Canada.

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS) debuted on the TSX on March 16 with an initial public offering of $17. The stock price has increased 55% since its public launch. In its fiscal Q4 2017 and Q1 2018 results, Canada Goose showed a good deal of promise towards its profitability goal.

As detailed by Fool.ca contributor Stephanie Bedard-Chateauneuf, Canada Goose has seen its e-commerce sales develop into a crucial driver of business.

With the holiday season approaching, it will be interesting to see how some of its new initiatives have performed. Of particular interest will be the performance of its recently launched knitwear line. The company has emphasized its commitment to branching out from its winter clothing, though its parkas and jackets will still be the key driver.

In addition to e-commerce growth, Canada Goose is also making progress with its foray into markets in Asia. Canada Goose will launch a flagship 3,100 square foot store in Tokyo this fall.

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Date
2025/08/18
Date Created
2017/10/27
Author
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