



Better Buy: Canada Goose Holdings Inc. or Roots Corp.?

Description

Just because the general public is shunning the entire retail sector doesn't mean you have to. Not all retailers are created alike. I believe the ones with the strong, exclusive brands are the ones that will have staying power as e-commerce continues to take a toll on retailers across North America.

When it comes to well-known, exclusive Canadian brands, it's hard to ignore **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) and **Roots Corp.** ([TSX:ROOT](#)), both of which are iconic retailers with brands you won't find anywhere else. The stocks of both companies are recent IPOs. Which is a better long-term bet today?

Canada Goose Holdings Inc.

Canada Goose is in the niche industry of luxury outerwear. While most companies would have expanded beyond such a small niche, Canada Goose has maintained discipline and stayed within its area of expertise, which has been an absolutely fantastic strategy.

Expanding into areas beyond your expertise adds a great deal of uncertainty and risk to the equation and won't necessarily create value for shareholders over the long term. In fact, it may prove to be a costly mistake — not just to get set up in an unfamiliar sub-industry, but for the way consumers look at the brand.

As management aims to increase brand awareness across international markets, I believe Canada Goose will reap the rewards from top-notch pricing power, not just in Canada, but in the U.S. and other international markets. I think Canada Goose has the potential to become the **Apple Inc.** of the outerwear space. It's been shown many times in the past that consumers (especially of luxury goods) are willing to pay a little extra for the logo of an established brand. It's not just a sign of high quality; it's a status symbol, and it'll allow Canada Goose to enjoy a gradually increasing gross margin over the years, as Canada Goose becomes a household name in the outerwear scene.

Roots Corp.

Roots is another solid brand that the average Canadian consumer may be more familiar with. The

beaver logo is iconic, but unlike Canada Goose, Roots isn't catering solely to the high-quality premium space. The retailer offers a wider range of more affordable products like plaid shirts, sweatpants, and various leather goods.

I believe Roots is still an incredible brand that'll allow the company to survive and adapt to the changing retail scene, but I don't see the same [magnitude of growth](#) compared to Canada Goose, which has a solid e-commerce platform and a rapidly growing international presence.

Bottom line

Both Canada Goose and Roots are promising companies with ambitious growth plans, but I think Canada Goose is a much better stock to buy today, despite its premium valuation. There's room for margin expansion, and with a solid e-commerce platform in place, I think shares could surge as brand awareness improves across new markets of interest.

I've been quite [bearish on Roots](#) since its IPO, and I'd still urge investors (even fans of the brand) to steer clear until the dust has settled.

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