These Retail Clothing Stocks Are in a Slump: Are They Worth a Look?

Description

Statistics Canada released its GDP-by-industry report for November 2017 in January. Retail in clothing and clothing accessories saw activity increase 2.1% in the month. Retail sales were up 6.1% year over year in a report released on January 25.

In spite of this, retail clothing stocks have largely suffered. **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS) has stood above its competition since its IPO in March 2017, and even it was subject to a steep sell-off following a recent third-quarter earnings release.

Are there any other clothing retail stocks that are worth adding to your portfolio right now? Let's take a look at three today that are worth monitoring in the coming months.

Aritzia Inc. (TSX:ATZ)

Aritzia is a Vancouver-based women's fashion designer and retailer. Aritzia stock has decreased 1.9% in 2018 as of close on February 13. The company released its fiscal 2018 third-quarter results on January 10.

It posted comparable sales growth of 6.3% compared to 15.3% growth in fiscal 2017 Q3. Adjusted EBITDA rose 10% to $50 million, and net income climbed to $28.1 million in comparison to an $8.1 million loss in the prior year. Sales growth was powered by impressive advancement in its e-commerce business, which has proven to be a solid benchmark for successful clothing retailers like Artizia competitor Canada Goose.

Hudson's Bay Co. (TSX:HBC)

HBC has declined 13.4% to start 2018, a dismal beginning, especially considering its volatile 2017. HBC has been engaged in a difficult internal debate over how to handle its plunging sales and successive quarterly earnings disappointments. In the 2017 third quarter, HBC reported a $243 million loss as retail sales fell 4% to $3.16 billion. Consolidated comparable sales declined 3.2% on a constant-currency basis, and the company reported operational complications following a string of job cuts.

The frustrations came to a head last year when one of its top shareholders, Land and Buildings, began to pressure management to make a concerted shift toward monetizing its valuable real estate holdings. The activist shareholder appeared to get its wish in late 2017, as retail veteran CEO Jerry Storch resigned, and HBC subsequently sold its Fifth Avenue store for over $1 billion.

HBC recently announced that Helena Foulkes, executive vice-president of **CVS Health Corp.**, will take over as CEO on February 19.

Reitmans (Canada) Limited (TSX:RET.A)

Reitmans is a Toronto-based retailer that operates stores under brands like Reitman, Addition Elle, Hyba, and others. The stock has inched down 0.47% in 2018 and has fallen 31% year over year. In the 2017 third quarter, sales dropped to $242.5 million compared to $245.6 million in the prior year. Store sales fell 1.9%, while e-commerce sales jumped 29.7%, which further demonstrates the challenges faced by its brick-and-mortar locations.

In early January, Reitmans revealed that its December sales declined 1.1%, as it reported a net reduction of 38 stores. E-commerce sales were up 20.9%. The company last delivered a dividend of $0.05 per share, representing a 4.7% dividend yield.

Are any of the above worth a buy?

Reitmans boasts an attractive dividend, but the steady decline in sales has resulted in a precipitous decline in recent years that fails to justify a long-term hold. The only buy-low candidate is Aritzia, which has reported solid earnings that have failed to translate to stock success. There are simply better options on the TSX right now, and investors should avoid gambling on such a volatile sector as the economy decelerates.

CATEGORY

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Author
aocallaghan