Is it Time to Take Profits at Indigo Books & Music Inc. and Canada Goose Holdings Inc.?

Description

According to Moneris Solutions Corporation, a Canadian processor of credit and debit card payments, the final quarter of 2017 saw a 4.26% increase year over year. The most populous Canadian provinces, British Columbia, Quebec, and Ontario, posted the largest respective increase in sales at 6.14%, 5.48%, and 4.43%. Holiday sales surged in the United States as well, and online sales climbed in both countries from the previous year. As we look to the spring and summer months of 2018, certain retailers are about to enter the slow season.

Today, we are going to look at two in particular which released impressive quarters during the holiday period. Is it time for investors to take profits as the weather warms up?

Indigo Books & Music Inc. (TSX:IDG)

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Indigo is a Toronto-based retailer of books, gifts, and toys. Shares of Indigo have increased 1.2% in 2018 as of close on February 21. The stock has climbed 13.7% year over year. Indigo is specifically catered to holiday shoppers and sees heavy traffic not just during the peak season in November and December, but also during smaller events like Valentine's Day.

Indigo released its fiscal 2018 third-quarter results on February 6. Revenue rose 8.2% to $433 million compared to fiscal Q3 2017. Total comparable sales rose 7.9% in the quarter to $418.9 million. It posted gross profit of $189 million in comparison to $177 million in the prior year.

The company is set to open its new flagship location in Vancouver this year as well as a distribution facility in Calgary. Indigo will be looking to roll out its new look as a "cultural department store" in 2018. Investors should also exercise caution, as brick-and-mortar retail continues to face a stiff test from the encroachment of e-commerce retailers like **Amazon.com, Inc.**

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS)

Canada Goose is a Toronto-based winter clothing designer, manufacturing, distributor, and retailer. Shares of Canada Goose have increased 7.5% in 2018 as of close on February 21. The stock dipped sharply after the company released its fiscal 2018 third-quarter results on February 8.

Total revenue climbed 27.2% year over year, and adjusted EBITDA surged 43.2% from the prior year to $94.7 million. Direct-to-consumer revenue nearly doubled, rising to $131.6 million compared to $72 million in fiscal Q3 2017. Canada Goose opened seven new e-commerce sites in fiscal 2018. The company has made a concerted effort to grow its e-commerce business, while gradually increasing its brick-and-mortar footprint.

The steep drop in the stock following earnings was in part due to positive earnings being priced in during the lead up to the release. However, the big news was the lack of an annual update and the appointment of a new chief financial officer. Canada Goose sees the bulk of its business activity during this period, and investors may want to pull back and take profits as the broader stock market shows signs of restlessness.

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