Better Buy to Beat the TSX: Canada Goose Holdings Inc. or MedReleaf Corp.?

Description

The S&P/TSX Composite Index rose 11 points on April 12. The index has dropped 5.8% in 2018 thus far. The TSX was one of the worst-performing global exchanges in the first quarter. It has been a frustrating start to the year for the Canadian investor, and industry leaders are now warning that Canada is suffering from a bout of capital flight in the aftermath of United States tax reform.

Trade tensions and the threat of rising interest rates are enough to keep analysts anxious looking ahead. However, there are still attractive plays on the TSX and stocks could receive a boost if NAFTA negotiations move towards a new agreement in the near term, as is expected. Let's look at two stocks today that have suffered from volatility since late January. Which should you buy?

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

Canada Goose is a Toronto-based outerwear designer, manufacturer, and retailer. Shares of Canada Goose have climbed 9.9% in 2018 as of close on April 12. However, since rebounding from a sharp drop after its fiscal 2018 Q3 results, Canada Goose stock has failed to reach its previous highs. Can it still offer the kind of explosive growth we saw in the second half of 2017?

Canada Goose released its fiscal 2018 third-quarter results on February 8. Revenue rose 27.2% year over year to $265.8 million, and adjusted EBITDA climbed 43.2% to $94.7 million. Wholesale revenue actually declined year over year, but growth was driven by remarkable numbers in direct-to-consumer revenue. The company opened seven new e-commerce sites, and revenue rose to $131.6 million compared to $72 million in the prior year.

Shares dropped in spite of these impressive earnings after the company failed to produce an annual outlook, and CEO Dani Reiss initially said the company did not plan to ramp up production in response to dwindling supply. However, in March, Canada Goose announced that it plans more in-house production in order to meet demand and increase profit going forward. The stock is up 3% month over month.

MedReleaf Corp. (TSX:LEAF)

MedReleaf is a Markham-based cannabis producer. Shares of MedReleaf rose 9.88% on April 12, but the stock has plunged 13% in 2018 so far, as cannabis stocks have been battered. MedReleaf released its fiscal 2018 third-quarter results on February 13.

Total sales rose to $11.3 million compared to $10.4 million, and gross profit increased to $9.98 million in comparison to $9.71 million in the prior year. Total grams sold were over 1.2 million compared to 993,259 in Q3 fiscal 2017. It was also a busy quarter, as MedReleaf signed an agreement to become a medical cannabis supplier for Shoppers Drug Mart and was granted a licence for the cultivation and production of medical cannabis from the Australian government.

Which stock should you buy today?

Canada Goose is entering its slow season, but its decision to ramp up production is promising. MedReleaf stock is up 15.4% week over week, and the cannabis market appears to be stabilizing after top producers have suffered steep corrections. At its current valuation, MedReleaf represents one of the best deals in the sector, and I like it to outperform Canada Goose from here on out.

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Date
2025/08/24
Date Created
2018/04/13
Author

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