Do These 3 Clothing Stocks Belong in Your Portfolio for the Remainder of 2018?

Description

Statistics Canada released retail trade numbers for February on April 20. Overall retail sales climbed 0.4% in February with higher sales at new car dealers and general merchandise stores leading the way. Sales at clothing and accessories stores were down 1.4% with all stores in this sub-sector posting declines in February.

Retail e-commerce sales reached $1.1 billion in February, which represented 2.7% of total retail trade. Retail e-commerce climbed 14.6% year over year.

Some of the top Canadian clothing stocks have performed quite well in the opening months of 2018. This in contrast to a broader decline on the S&P/TSX Composite Index. Should investors count on clothing stocks to provide growth in their portfolios as we approach the midway point of 2018? Let's take a look at three of the top clothing stocks today.

Aritzia Inc. (TSX:ATZ)

Aritzia is a Vancouver-based design house and fashion retailer focusing on women's apparel. Shares of Aritzia have dropped 2.3% in 2018 as of close on April 26, but the stock is up 2.9% month over month. The company is expected to release its fourth-quarter results on May 10. Aritzia is projecting profit to be flat year over year.

In the third quarter of fiscal 2018, Aritzia saw net revenue rise 9.6% year over year to $204.4 million, and gross profit margin reached 44.8% compared to 44.1% in the prior year. Adjusted EBITDA increased 10% to $50 million. Aritzia benefited from a weaker U.S. dollar in the third quarter, and it also reported progress in ongoing supply chain initiatives.

Roots Corp. (TSX:ROOT)

Roots stock surged in April after what was a difficult start since its initial public offering in October 2017. Shares of Roots have soared 24.4% month over month as of close on April 26 and are now up 17.7% in 2018. The company released its 2017 fourth-quarter and full-year results on April 18.

In the fourth quarter, total sales rose 17% to $130 million, and direct-to-consumer sales climbed 17.6% to $119.8 million. For the full year, total sales increased 15.7% to $326.1 million, and DTC sales rose 16.3% to $284.1 million. Adjusted EBITDA climbed 26.6% to $52.6 million. The company reported impressive holiday sales, which drove results in the fourth quarter.

Roots projects sales between $410 million and $450 million in fiscal 2018 and adjusted net income between $35 million and $40 million.

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

Canada Goose is expected to release its fiscal 2018 fourth-quarter results in late May. The stock has increased 17.1% in 2018 and 102% year over year. The Canada Goose brand has enjoyed tremendous success in recent years, and it also benefited from rock-solid holiday sales in its most recent earnings release.

Direct-to-consumer revenue climbed to $131.6 million in fiscal 2018 Q3 compared to $72 million in the prior year. Analysts are expecting another big jump in year-over-year revenue the next quarter, but Canada Goose is entering its slow season. Its stock has nearly tripled since its IPO price of $17. Leadership responded to anxiety over supply after Q3 earnings by vowing to ramp up production.

Canada Goose remains the most attractive clothing stock on the market. It is a good bet to post eye-catching earnings in May, but at its current price the stock is simply too pricey with so much good value still available on the TSX.

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