



## Which Is the Better Buy: Canada Goose Holdings Inc. or Aritzia Inc.?

### Description

**Aritzia Inc.** ([TSX:ATZ](#)) and **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) are stocks that are on very different trajectories. In the past year, Canada Goose's stock price has more than [doubled](#), while Aritzia has declined by more than 15%. However, that doesn't mean those patterns will continue and merely shows how the stocks have done recently. A stock that has risen significantly may have run out of room to grow, while a declining share price might have bottomed out and could be due for a recovery.

Let's take a look at these two stocks in a bit more detail to assess which one might be the better buy today.

### A fundamental look

I'll start by looking at their fundamentals and assess how strong their respective financials have been.

Aritzia's sales were up 10% in its most recent quarter, and the company was able to post a solid profit of \$28 million, which was a big improvement from the \$8 million loss that it incurred a year ago. Aritzia's bottom line has been steady, and it has averaged a profit margin of 5% over the past five quarters.

Canada Goose's sales are a bit more seasonal, but the company's growth has also been a lot more impressive as well. In its [last quarter](#), sales were up more than 27%, and in the trailing 12 months revenues have totaled more than \$510 million, which is more than double the \$218 million in sales that the company posted back in 2015. Although Canada Goose has finished in the red in two of the past four reporting periods, it has averaged a strong 14% profit margin over the past five quarters.

Despite the seasonality and a little bit of inconsistency, Canada Goose has the edge in this department.

### Current valuation

While financials are important, so too are the stocks' current prices. A high valuation can make any stock an unappealing buy, as it can mean little upside for investors. Aritzia currently trades at 27 times

its earnings and five times its book value, which is well short of the nearly 80 times earnings and 35 times book value that Canada Goose trades at.

In addition to being more highly valued, Canada Goose is also trading near its 52-week high, while Aritzia is much closer to its low for the year than it is its high, giving it a lot more potential upside from where it is valued at today.

### **Growth opportunities**

Canada Goose has achieved significant growth over recent years, but premium winter clothing has a limited market and makes me skeptical about how much more the company will be able to grow. Artizia has seen much more stable growth, but I wouldn't expect a whole lot more from the company either, especially as the retail industry continues to struggle.

### **Bottom line**

Canada Goose has benefited from being the new kid on the block, and while sales may be strong now, it's questionable how much longer that can last. It is the more likely of the two to see a sell-off, especially if its sales start to taper off. Aritzia is a safer, more stable buy in the long term, but in the short term, Canada Goose is still riding the hype and could earn you great returns in the meantime.

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2. TSX:ATZ (Aritzia Inc.)
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