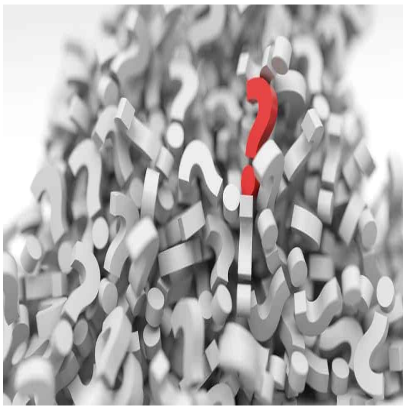

Should You Stash Aritzia Inc. or Canada Goose Holdings Inc. in Your Portfolio?

Description

Canadian retail trade bounced back in the month of February as sales increased 0.4% to $49.8 billion. However, sales at clothing and clothing accessories stores dropped 1.4%. All stores in the subsector experienced declines in February.

The **S&P/TSX Composite Index** gained 102 points on May 14, bringing the index above the 16,000 point mark. Many investors may be looking for growth opportunities after a rough start to 2018, but should they be looking to clothing stocks? Let's take a look at two top options today.

Aritzia Inc. (TSX:ATZ)

Aritzia is a Vancouver-based design house and fashion retailer. Shares have climbed 2.3% in 2018 as of close on May 14. The company released its fourth quarter and full year results for fiscal 2018 on May 10.

In the fourth quarter, revenue rose 11.9% to $219.8 million and the company posted comparable sales growth of 6% from fiscal 2017 Q4. Adjusted EBITDA climbed 18% to $38.1 million and net income rose to $15.9 million from $11.5 million a year earlier. Aritzia also opened a new store in Southern California.

For the full year, Aritzia saw net revenue climb 11.4% to $743.3 million and adjusted EBITDA increased 12.8% to $132.7 million. Adjusted net income jumped 17.5% to $75.9 million, or $0.65 per diluted share compared to $64.6 million or $0.55 per diluted share in fiscal 2017. Aritzia opened six new stores in its 2017 fiscal year.

Aritzia has continued to build momentum in its e-commerce business, but a weak U.S. dollar hurt revenue growth. The company has posted impressive earnings in successive quarters, and comes at a nice price for those on the hunt for growth.

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

Canada Goose stock has enjoyed massive success since its initial public offering in March 2017. Shares have climbed 21.9% in 2018 as of close on May 14. The stock has climbed back steadily from a sharp drop after the release of its fiscal 2018 third-quarter results. It is expected to release its fiscal 2018 fourth-quarter results by the end of May.

The company has also been powered by its magnificent success in its e-commerce business. In a busy third quarter, Canada Goose reported that direct-to-consumer revenue reached $131.6 million compared to $72 million in the prior year. Wholesale revenue actually dipped to $134.2 million compared to $137 million in fiscal 2017 Q3.

The stock plunged after Q3 with investors anxious over supply issues at Canada Goose. Management has worked to alleviate these concerns by vowing to ramp up its production and manufacturing capacity going forward. Still, the company is entering its slow season and the stock remains a risky bet as retail sales have slipped in clothing subsectors.

Investors betting against Canada Goose have not fared well since its IPO. However, investors should remain cautious in the spring and summer as the company is facing new challenges in keeping up with its massive growth.

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aocallaghan