2 Fashion-Forward Stocks That Could Become Canada's Next Big Growth Story

Description

Canada Goose Holdings (TSX:GOOS) is a fashionable and explosive growth story that even our neighbours south of the border have been talking about. The goose isn't just a Canadian household name anymore; it's quickly becoming an international icon thanks to the incredible stewardship of Dani Reiss and company.

If you missed out on the Canada Goose's flight (shares have more than tripled since IPO day), don't fret, as many other overlooked retailers are looking better by the day. I'm talking about **Aritzia** (TSX:ATZ) and **Roots** (TSX:ROOT), two fashionable retailers that hit the TSX over the past two years.

While America's IPO scene has been all about tech, Canada's has been primarily around fashion retailers. While not every retailer can be a Canada Goose, I believe that retail investors have been neglecting the other impressive growth stories which, like the Goose, have very ambitious U.S. expansion plans underway.

Given the rise of direct-to-consumer (DTC) e-commerce platforms, both Aritzia and Roots have reaped significant rewards over the past year. Over the next few years, I believe considerable margin expansion will result, as both firms continue to leverage their DTC channels, together with their eye-catching brick-and-mortar stores.

I'm sure you've heard all about the rise of e-commerce and the profound potential behind DTC platforms and their ability to reach anybody without a middleman. What you may have overlooked is the fact that brick-and-mortar is also surging. Contrary to popular belief, it's not just alive and well (for specific retailers), brick-and-mortar is facing a resurgence as retailers prettify their physical locations to improve shopper experiences.

The brick-and-mortar growth opportunity isn't just in Canada either; it's also in the U.S., which hasbeen the epicentre of the e-commerce induced earthquake in the retail scene. Shoppers — andmillennials in particular — want great experiences, so that means a clean store layout and décor is amust. Both Aritzia and Roots have realized this, which is why their respective stores draw reasonablylarge crowds.

Further, I think investors have underestimated the potential of Roots' and Aritzia's respective U.S. expeditions. Promising evidence suggests that their individual pushes into the U.S. market will be a significant source of top-line growth. And as investors shed their fears of a potential U.S. expansion failure, I think both Aritzia and Roots stock could make up for lost time.

Foolish takeaway

Today, the bar is pretty low for Aritzia and Roots, so I think it won't take a lot for each firm to impress investors moving forward. Moreover, given ample growth drivers on the horizon, I believe that shares of both companies are really cheap, so value-conscious growth investors ought to think about initiating a position today.

With Roots and Aritzia, investors aren't expecting the next Goose to fly out of Canada. Many investors see another brick-and-mortar retailer that'll likely be victimized by Amazon. I don't think that's the case, however, as Roots and Aritzia are two well-respected exclusive brands with untapped potential in the DTC and international markets.

If you're looking for a retailer, look no further than Roots and Aritzia. If I had to choose one, I'd go with Roots because it's so ridiculously cheap at just 1.3 times revenue versus Aritzia's 2.5 times revenue. Moreover, Roots' uptrending gross margins look attractive.

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