2 Iconic Canadian Clothing Stocks for Millennial Investors

Description

Brand awareness continues to be a driving factor in millennial investment choices. On the face of it, this seems an intuitive way to choose stocks to buy and hold. After all, if you can see it, it must be healthy, right?

Here we will take a look at two of the most iconic — and most ubiquitous — of Canadian clothing brands. We'll see which one has the best value, which has the healthiest balance sheet in terms of debt, and which has the best outlook.

Roots (TSX:ROOT)

Discounted by 48% of its future cash flow value, Roots has much better value than one might think given its high profile and ubiquity on trading forums. A P/E of 18.4 times earnings is nice and healthy, and though a PEG ratio can't be relied on today, a P/B of 1.5 times book isn't too bad either.

Roots is looking at an 8.7% expected annual growth in earnings over the next 1-3 years, which is very good for a retail outlet in today's uncertain economic climate. A return on equity 8% last year is pretty mediocre, and a lack of a dividend don't do much for the overall quality of this stock, however. A significant, though not totally awful debt level of 63.4% of net worth adds to a so-so buy signal.

Roots' Q2 report was less than satisfactory, with stock falling 12% on dashed expectations. Canada's 150th birthday may have had something to do with a good Q2 last year, making for a tough act to follow this time around. Competitors **Leon's Furniture**, **Sleep Country Canada Holdings**, and **BMTC Group** are worth scrutinizing for comparisons.

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

If you thought a headline like the one above wouldn't have the words Canada Goose Holdings somewhere underneath it, then you don't know TSX clothing stocks. Considered a luxury stock due to its high-quality (and big price tag) products, shares in this Canadian institution are today overvalued by more than 50% of the future cash flow value.

A high P/E of 92.4 times earnings underlines the overvaluation of Canada Goose Holdings, with a PEG ratio calculated at 3.7 times growth and a huge P/B ratio of 37 times book confirming the same.

A 24.9% expected annual growth in earnings over the next couple of years means that this is definitely one for growth investors. A return on equity of 40% last year adds to its quality, though a lack of a dividend and significant debt of 96.2% of net worth detract from it.

A Winnipeg expansion is likely to boost investor moral, with job creation and increased productivity strengthening the public image of the brand. Also coming soon will be "cold rooms" at two new retail locations. According to a press release, the cold rooms will offer "an immersive experience where fans can test the brand's warmest parkas in temperatures as low as -25 Celsius."

The bottom line

Though investors will not receive passive income from either of these classic clothing stocks, value and growth investors have something to be cheerful about. Roots is the clear front runner on value, while Canada Goose Holdings should entice growth investors. Competitors of the latter to take a look at would include **Differential Brands Group** and **Gildan Activewear**, though millennial investors might like to stick to the two stocks above.

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