



Is This Stock the Steal of a Deal it Seems to Be?

Description

Considering that Canada is such a small country, it has a lot of [well-known clothing companies](#) popping up in recent decades. **Canada Goose**, **Lululemon**, and **Roots** ([TSX:ROOT](#)) are all examples of renowned Canadian companies that have gained international recognition. It is worth looking into these companies to determine whether they are as fashionable as investments as they are to wear.

Now, I am not exactly fashion conscious, so to tell you the truth, I have no idea as to the general popularity of the products. But even I am aware of these Canadian brands, and I am particularly conscious of the fact that one has become synonymous with being Canadian, and that is Roots. I remember some time ago when I was traveling abroad, I could easily spot Canadians by the Roots logo and the proud red maple leaf gracing hats, coats, and shirts. While it is no longer a reliable indicator of spotting a Canadian, its international popularity has helped Roots grow as a business. But the stock price has fallen considerably recently, leading me to wonder if it is a worthy investment.

As far as fundamentals go, Roots seems to be doing all right, but not spectacular. In Q2 2018, [sales grew by 3.6%](#) year over year — an acceptable, although not stunning, increase. Gross profit also increased by 6.9%. But the company struggled with earnings, reporting a net loss of 26% over the same period. For a growth company without a dividend, these results were not amazing. The company is still investing in the future by opening stores in Canada and around the world, which may lead to positive revenue and income growth. Only time will tell whether these initiatives will pay off. If they do, that might be the time to open a position, but not before.

I am not very good at spotting fashion trends or at determining how long a particular brand may be viable. As such, I can't say with certainty that a brand such as Roots is able to ride the waves of fashion trends over the long term. But I can look at a balance sheet and earnings profile and make a guess about the current state of the company. Judging from that perspective, this is not a company in which I would invest at the current time, although its growth initiatives and past success do warrant keeping it on the watch list.

Roots has been the quintessential representative of Canadian clothing for many years as a Canadian success story. It is also not terribly expensive on a price-to-book basis at 1.5 times book value, although even that is probably not the best indicator, as a good portion of its book value is based on

goodwill. If you are more familiar with or have more insight into the clothing industry, then it may be worth making a speculative investment in this company. But without that insight, I can only determine that for a company which does not pay a dividend, its growth is not enough for me to invest at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ROOT (Roots Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/25

Date Created

2018/09/18

Author

krisknutson

default watermark

default watermark