

Will the Holiday Season Provide a Boost for These 2 Stocks at 52-Week Lows?

Description

Retailers across North America will welcome fall as the beginning of the busy season. The period in September and October is sometimes referred to as “the calm before the storm.” This is a good time to finish off outdoor projects, and there are several fall events, like Halloween and Thanksgiving, that have an impact on sales in retail sectors.

Then come November and December, which represent the peak for retailers. Today, we are going to look at two companies that received a big boost during the holiday shopping season in 2017. Now both sit at or near 52-week lows as of early this week. Is it a good time to scoop up these stocks? Let’s dive in.

Roots ([TSX:ROOT](#))

Roots is a Toronto-based company with a broad portfolio of apparel that is sold under the Roots brand. The stock plunged to a 52-week low of \$6.21 on September 26 before rebounding into positive territory at close. Shares were down over 40% as of this writing.

Earlier this month, I’d discussed some of the reasons Roots has been a [disappointment](#) since its initial public offering back in October 2017. Most recently, the stock took a hit after the release of its second-quarter results. The company reported a net loss of \$4 million, and year to date Roots has posted a net loss of \$9.6 million compared to \$8.3 million in the first six months of 2017.

President and CEO Jim Gabel said in the earnings report that negative store traffic trends will be a concern heading into the third quarter. The company has maintained its target range even with the relatively poor performance in Q2 2018. Like many of its peers, Roots has seen its e-commerce business post solid growth and has reiterated its focus in this area.

Indigo Books & Music ([TSX:IDG](#))

Indigo stock has plunged 26% in 2018 as of close on September 26. Back in late February, I’d recommended that investors consider [taking profits](#) in Indigo after it received a boost from its holiday season results. Indigo reported a 52-week high of \$20.25 in the first week of March 2018. This week Indigo reached a 52-week low of \$13.49.

Indigo released its fiscal 2019 first-quarter results on August 7. Revenue was down year over year to \$205.4 million compared to \$206.4 million in Q1 fiscal 2018. The company reported comparable sales growth of 2.4% in the quarter, which included both online and comparable store sales. Indigo has committed to an aggressive period of investment in fiscal 2019. It opened a new Calgary distribution centre and plans to open its first U.S. store in the coming months.

New investment dragged down earnings and resulted in a net loss of \$15.4 million in the quarter. However, the company’s financial position remains strong with cash and short-term investments of

\$154.9 million while also boasting no debt.

Will these stocks benefit from fall and winter momentum?

In the last three years, Indigo stock has gathered momentum in the fall season and shares are enticing at the current price. Investors on the hunt for growth should consider adding Indigo as it moves forward with its bold investment plan. Roots is a bigger gamble and, as I stated in the linked article above, there are simply better options in the clothing retail sector for those seeking growth.

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2. TSX:ROOT (Roots Corporation)

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