2 High-Growth Apparel Stocks to Buy Ahead of 2020

Description

Canada has seen some high-growth apparel companies the last few years that have been growing on a global scale. The Canadian seasons can be harsh, but making apparel for them, to be tested here in one of the most gruelling climates in the world, gives items a badge of durability to be sold globally.

Two Canadian apparel companies that have been experiencing explosive growth in Canada, but especially worldwide are **Roots** (TSX:ROOT) and **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS).

Roots

Roots is an iconic Canadian brand known for having a heritage of premium goods. Roots prides itself as a lifestyle brand offering timeless fashion for a variety of users worldwide.

The company has 117 corporate stores in Canada, five in the United States, as well as 112 partner-operated stores in Taiwan and 27 partner-operated stores in China. In addition to the retail outlets, Roots has a global e-commerce platform for its direct-to-consumer sales.

From the fiscal 2019 first-quarter results, Roots increased its sales 6.5% year over year, although same-store sales growth (SSSG) came in at only 1.5%. Margins came down around 4.5%, as the company sold more of its products at discount prices while it tried to optimize its inventory going forward.

The margins came down because the 6.5% increase in sales year over year for the first quarter was more than offset by a 17% jump in cost of sales. This had to do with the company offering discounts to get rid of some old inventory that had been accumulating.

Although these numbers don't look that great, management reiterated it can hit its 2019 guidance.

Full-year guidance of earnings per share (EPS) between $0.48 and $0.57 and adjusted earningsbefore interest, taxes, depreciation, and amortization (EBITDA) of $46-$50 million.

It also expects to open and renovate a number of stores as well as continue to penetrate the ecommerce opportunities to increase its direct-to-consumer sales.

Because of its problems, its stock has been hammered the last year, coming down almost 70% from one year ago; however, Roots still has the potential to grow rapidly. If the company is able to hit on its guidance for EPS, it's currently trading at a forward P/E ratio of 5.7 times to 6.7 times.

Canada Goose

Canada Goose is a three-season lifestyle brand. It's sold in 38 countries — 57% through wholesale channels. The company is known for making high end, highly durable outerwear predominantly for the winter.

It's done an impressive job building brand loyalty and retaining customers to purchase more than once. 84% of its customers said they would buy something from Canada Goose again.

The company is aiming to achieve growth by continuing to strengthen the brand through marketing and promotions. It also plans to build its wholesale business, by improving the partnerships with retailers and adding new retailers to the mix.

Lastly, it's working on improving the e-commerce section of the business to go hand in hand with the increase in branding as well as trying to grow the direct-to-consumer numbers for the business.

Direct-to-consumer sales for the first quarter were up around 30% year over year. Direct to consumer has really been one of the main focuses of all apparel companies, so those numbers are quite positive.

Canada Goose expects to do 20% of revenue growth over the next few years and 25% year-over-year growth in adjusted earnings per fully diluted share, giving the stock plenty of reason to continue to appreciate.

Bottom line

If you are looking for some high-growth opportunities in your portfolio, then look no further. Whether it's the well-known quality brand of Roots or the premium brand of Canada Goose, both will continue to grow, especially through e-commerce.

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