Millennial Investors: Should You Buy Aritzia (TSX:ATZ) or Canada Goose (TSX:GOOS)?

Description

Aritzia (TSX:ATZ) and **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS) have carved a nice niche for themselves in the fashion industry.

More important for investors, the stocks have delivered extraordinary returns for shareholders whenever their stocks were bought at reasonable valuations.

Aritzia

Aritzia has in-house brands that can tailor designs and offerings based on current and developing trends. It also sells other popular apparel brands that can generate a sense of loyalty when recognized by new customers.

Aritzia's offerings in the affordable luxury category appeal to a wide range of target audience without breaking the banks of the consumers. The company just began penetrating the U.S. market and is already showing strong results.

It has about 25 stores in the U.S. versus 67 in Canada. In the last reported quarter, fiscal Q1 2020 (that ended on June 2), Aritzia's net revenue increased by 18% to $197 million against the comparable quarter a year ago, helped by positive performance across all geographies and all channels (including its online store).

It also benefited from same-store sales growth of 7.9%, the 19th consecutive quarter of positive growth.

The company expanded brand awareness by the smart usage of social media and influencer marketing programs, which also helped U.S. sales increase by 38% year over year.

Aritzia's recent return on assets and return on equity were strong at 10.7% and 30.3%, respectively.

Canada Goose

Canada Goose is a luxury brand whose products, including outerwear, knitwear, and accessories, are recognized for their good quality, craftsmanship, and the fact that they're largely made in Canada.

Its products target consumers from teenagers to seniors, basically, anyone who isn't afraid to break the bank. The company sells to 49 countries through online, 11 retail stores, and more than 2,220 points of wholesale distribution.

The stock came tumbling down in May due to the company dialing down its growth projections to revenue and adjusted earnings-per-share growth at a compound annual growth rate of at least 20% and 25%, respectively, from fiscal 2020 to 2022.

Canada Goose's recent return on assets and return on equity were strong at 22.6% and 44.7%, respectively.

Which should you buy?

Both stocks are reasonably priced at the moment with Canada Goose being slightly more undervalued on a forward basis due to its higher expected earnings growth.

Both companies are well run. So, millennial investors should consider both stocks for double-digit growth. Since the companies target different groups of audience, you can opt to split your retailer-investing funds between the two.

You might just get to buy them at a cheaper valuation sometime between now and the end of the year.

Also noteworthy is that retail stocks don't tend to do well in recessions. So, only allocate a small portion of your portfolio to these names with the intention to spice up growth for your diversified portfolio.

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