Better Buy: Dollarama (TSX:DOL) or Canada Goose (TSX:GOOS)?

Description

The S&P/TSX Composite Index shed 127 points on October 8. North American indices have encountered turbulence, as global economic concerns have built in the early fall. Today, I want to look at two growth stocks that have fallen off in recent quarters. Are these the kind of equities TFSA investors will be able to trust ahead of the new year?

Let's jump in and find out.

Dollarama

Dollarama (TSX:DOL) stock was one of the most reliable growth stocks of the past decade. Discount retailers thrived in North America after the financial crisis. Dollar stores managed to expand their customer base, and companies like Montreal-based Dollarama have undergone a significant expansion. However, this growth has slowed down in recent quarters.

Shares of Dollarama have still climbed 43% in 2019 as of close on October 8. The stock has achieved average annual returns of 24% over the past five years. Last summer, I'd discussed why Dollarama is attractive for investors who are worried about a recession. The company has been robust in a time of economic turmoil, and dollar store retailers have typically thrived during tough times, as customers seek out cheaper alternatives.

The stock currently possesses a price-to-earnings ratio of 27. Shares have dropped 7.6% over the past month, and the stock has an RSI of 35 at the time of this writing, putting it close to technically oversold territory. The company is set to release its third-quarter results in early December.

Canada Goose

Canada Goose (TSX:GOOS)(NYSE:GOOS) is still a newcomer to the TSX after launching its initial public offering in March 2017. The stock has dropped 16% in 2019 so far. Canada Goose has reported impressive sales results, but it has still failed to meet analyst expectations. Heightened geopolitical tensions between Canada and China sparked a sell-off in December 2018.

The winter clothing manufacturer has branched out into other seasonal wear. Non-parka revenue rose to one-third of DTC revenue in the quarter, illustrating the early success of this push. In the first quarter of fiscal 2020, Canada Goose saw total revenue increase 59.1% year over year to $71.1 million. The company posted 79% growth in Europe and the rest of the world and 40% growth on the domestic front. Revenue nearly tripled in Asia from $6.6 million to $18.1 million.

Back in early March, I'd discussed whether Canada Goose could challenge its 52-week high. At the time, I was skeptical that the company could bounce back in the face of so many headwinds, but it sits at a much better value in early October after falling below the $50 mark. Shares possess an RSI of 37, which puts it just outside a technically oversold range.

Which should you buy today?

In this turbulent market environment, I like Dollarama as a defensive play in early October. However, Canada Goose boasts more upside as a growth play ahead of the busy winter season.

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aocallaghan