2 Canadian Stocks Set to Soar Thanks to Christmas Shopping

Description

Christmas is almost here, and a few Canadian companies are about to make a killing off the shopping frenzy.

According to PWC, the average Canadian family spent $1,563 on Christmas gifts and travel last year, up 3.7% from 2017. Although surveys say that Canadians are *planning* on cutting back on Christmas spending, *planning* is not the same as *doing* — as anyone who has made a New Year's resolution will tell you.

It's been well known for years that consumer spending spikes near the holidays. Now, the amount spent is rising, thanks to an unprecedentedly long economic expansion and rising consumer credit.

Every year, retailers get a boost from this Christmas shopping bonanza — a seasonal factor that's usually priced into their shares. But with Christmas spending growing faster than inflation, retail companies may outperform relative to the already high expectations. The following are two stocks that are poised to deliver solid results thanks to the holiday shopping boost.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) is a Canadian e-commerce company that powers thousands of stores around the world — including those of many celebrities and big-name brands.

Every year, around Black Friday and Cyber Monday, Shopify live blogs its sales. Although these sales events are in November, they're largely seen by consumers as opportunities to get Christmas shopping done early, so they count as part of Christmas spending.

This year, Shopify knocked it out of the park on Black Friday weekend. According to its blog, 25.5 million consumers purchased an item from a Shopify merchant sometime between Friday and Monday, with peak spending reaching *$1.5 million per minute!* Of course, that's not all revenue Shopify gets to keep, as the company takes only a small cut of sales. However, even 0.1% of $1.5 million a minute is quite a bit, and we should expect solid results from SHOP when its earnings are released next quarter.

Lululemon

Lululemon Athletica (NASDAQ:LULU) is a stock you might be surprised to see mentioned here, as it de-listed from the TSX a long time ago. However, the company *itself* is still as Canadian as maple syrup, being headquartered in Vancouver to this day.

More to the point, this is a company that stands to benefit enormously from holiday shopping.

When Lululemon released earnings for the fourth quarter of last year, revenue was up 25.6%, same-store sales were up 16%, and net income roughly doubled. By far the most impressive of these results was same-store sales. That's a retail-specific metric that tells you how much new revenue a store generates *in existing* locations. It's particularly valuable because it demonstrates the power of a retailer to grow sales without spending heavily on opening new stores. A 16% year-over-year increase in same-store sales is phenomenal and goes to show how popular Lululemon is.

If this year's fourth-quarter results are anything like last year's, Lululemon investors should be in for a treat when earnings come out early in 2020.

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