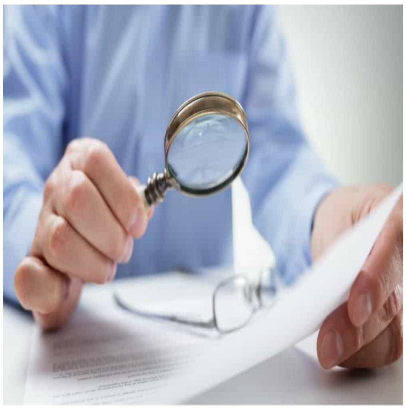

Canada Goose vs. Roots in 2021: Which Is the Better Buy?

Description

Many retailers have been forced to reinvent themselves due to the COVID-19 pandemic. Clothing retailers have been faced with an especially challenging environment. The companies that have performed well have been able to adapt to the dramatic shift in consumer trends. Today, I want to look at **Canada Goose** (TSX:GOOS)(NYSE:GOOS) and **Roots** (TSX:ROOT), two top Canadian clothing retailers. Which growth stock is the better buy right now? Let's dive in.

Canada Goose has stormed back over the past year

Canada Goose is a top winter clothing designer, manufacturer, and seller. It debuted on the TSX index back in March 2017. Shares of Canada Goose have climbed 36% in 2021 as of early afternoon trading on April 15. The stock is up 68% from the prior year.

Back in February, I'd suggested that this growth stock was worth picking up. The company reported its third-quarter fiscal 2021 results on February 4. Canada Goose already boasted a strong e-commerce footprint when it debuted. It has committed to a select few brick-and-mortar stores while pushing its digital channels. This strategy was perfectly suited to weather the pandemic.

Canada Goose's global e-commerce revenue rose 39% from the prior year in Q3 FY2021. Meanwhile, direct-to-consumer (DTC) revenue grew 41% in Mainland China. Total revenue rose to $474 million — up from $452 million in Q3 FY2020. This was the first time it had achieved revenue growth since the beginning of the pandemic.

Despite its recent success, the company refrained from offering a 2021 outlook. This comes as no surprise due to the challenging conditions still present in the global economy.

What is behind the rebound at Roots?

Roots launched its initial public offering in October 2017. Unlike Canada Goose, Roots's debut did not go well. A mediocre balance sheet and poor results drove away those who were already skeptical of clothing retail. Roots has stormed back over the past year. Its shares have increased 55% in 2021 at the time of this writing. The stock is up 365% year over year.

The company released its last batch of 2020 results on April 8. Roots's e-commerce sales rose 50% from the previous year. This offset in part the impact from mass closures during the pandemic. Moreover, it achieved profitability in the United States, as it transitioned to a digitally-led strategy. Better yet, it bolstered its balance sheet.

Roots managed to bolster its digital sales, but it was still a tough year for the company. Total sales came in at $240 million in 2020 — down from $329 million in 2019. However, adjusted EBITDA climbed 48% to $38.7 million. Adjusted net income hit $0.39 per share — up from $0.10.

Which clothing stock is the better buy today?

Canada Goose and Roots both leaned heavily on their digital sales channels in 2020. Roots's return to form has been impressive, but I'm more bullish on Canada Goose for the long term, as its e-commerce platform is further along. Moreover, it has continued to demonstrate strength in China, even as Canada-China political relations have remained tenuous. It could score big on the retail front ahead of the next Winter Olympics in China.

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2. TSX:GOOS (Canada Goose)
3. TSX:ROOT (Roots Corporation)

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