2 Canadian Retail Kings That Are Screaming Buys

Description

Aritzia (TSX:ATZ) and **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) remain two of my favourite Canadian stocks in the retail space right now. With the pandemic's end likely in the cards next year, the two discretionary clothing companies could soar into a "Roaring '20s" environment that could hold one of the biggest spending booms in recent memory.

Both Canadian retailers have done incredibly well at leveraging both brick-and-mortar and e-commerce retail, making them omnichannel retail kings in my books. While each name has returned to rally mode over the past few months, I still think the best is yet to come for both names, as they look to pick up where they left off in 2019.

Aritzia

I've been pounding the table on Aritzia stock for well over a year now. The brand, which is quickly picking up traction at the international levels (thanks in part to Meghan Markle), has been quite successful with its U.S. expansion. As restrictions continue to be lifted, I think the U.S. could help fuel many years of high double-digit growth numbers down the road.

The company recently came off some pretty stellar first-quarter fiscal 2021 earnings results, which revealed a considerable acceleration to the U.S. business. Dresses and denim were hot sellers for the quarter.

Given the U.S. is at least a few months ahead in their reopening, I think the strength in Canadian stores could be in the cards for Aritzia's second and third quarters. As such, I wouldn't hesitate to recommend ATZ stock, even after its strong post-earnings pop.

At the time of writing, Aritzia shares trade at 4.1 times sales, 9.4 times book value, and 28.5 times cash flow, all of which are in line with the apparel and accessories industry averages of four times, 9.4 times, and 27.5 times, respectively.

Canada Goose Holdings

Led by its incredible founder and CEO Dani Reiss, Canada Goose has done almost everything right at the company-specific level. Yet, the unfavourable macro backdrop was enough to cause GOOS stock to drop like a rock, suffering a 77% peak-to-trough plunge from its 2018 highs to its 2020 lows. When times are tough, and people are more inclined to stay at home to avoid catching the insidious coronavirus, there’s just not that much demand for thousand-dollar parkas.

As the economy reopens and people have excess savings to spend on luxuries, Canada Goose may finally be ready to fly again. At 77.2 times trailing earnings and six times sales, GOOS stock is by no means cheap. But given the type of growth it’s capable of in the early innings of an expansionary cycle, I’d argue that the stock isn’t nearly as expensive as it could be given the growth re-acceleration that’s likely on the horizon.

Michael Binetti, an analyst at Credit Suisse, is a raging bull on Canada Goose, with his Street-high $77.57 price target, which implies more than 60% worth of upside from today’s prices. So, if all goes well with Canada’s reopening, I wouldn’t at all be surprised to see GOOS stock flirt with $80 per share by year’s end.

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Author
joefrenette