



The Top 2 Retail Stocks to Buy This Holiday Season

Description

The 2021 holiday season could be far different from 2020, although worries about Omicron could still dampen the Christmas spirit. Nevertheless, there's genuine optimism among shoppers and retailers. Google Canada's managing director Eric Morris feels the optimism is well founded and expects a positive holiday shopping season.

Morris added that consumer confidence is high, and Canadians are spending. Retailers with storefronts are hopeful too. If their stores remain open, they could provide the much-needed channel to service customers while enhancing shopping experiences. On the stock market, [buying opportunities](#) in December are plenty, mainly [retail stocks](#).

If you're shopping for retail stocks, **Canada Goose** ([TSX:GOOS](#))([NYSE:GOOS](#)) and **Gildan Activewear** ([TSX:GIL](#))([NYSE:GIL](#)) are the top picks. Both have steady performances in 2021, with gains of 39.88% and 46.40%, respectively. Also, the share prices are nearly identical (\$52.93 and \$51.48) but could appreciate further if sales are brisk in the holiday season.

Seeing peak season demand

Canada Goose, a famous lifestyle brand and luxury apparel manufacturer, already sees strong peak season demand. In Q2 fiscal 2022 (quarter ended September 26, 2021), total revenue increased 19.6% to \$289.2 million versus Q2 fiscal 2021. Its net income, however, declined 13.5% year over year.

Dani Reiss, Canada Goose president and CEO, said, "Our second-quarter results demonstrate our momentum. Across all channels, we are seeing strong leading indicators of [peak season demand](#)." He believes that the company has the right foundation for an outstanding fiscal 2022.

Reiss is overly confident because of the accelerating DTC (direct-to-customer) trends, growing lifestyle relevance, and the retailer's unique supply chain flexibility. Notably, its DTC revenue climbed 80.1% year over year to \$83.2 million. Also, temporary PPE sales contributed to revenue growth.

With the encouraging quarterly results and current trends, management raised its guidance for fiscal

2022. Instead of \$1 billion, Canada Goose forecast total revenue between \$1.125 billion and \$1.175 billion. The target is achievable provided there's no material change in the economic environment and DTC revenue hits 70% of total revenue.

A Top 100 best ESG company

Believe it or not, Gildan Activewear had a record free cash flow of US\$232 million in Q3 2021. According to its president and CEO Glenn J. Chamandy, improved economics, the Back-to-Basics model, and operational excellence were the reasons for the record performance.

Moreover, net sales and net earnings grew 33.1% and 233.9% versus Q3 2020. Chamandy is confident that Gildan Activewear will continue to navigate through the tight supply chain environment and manage inflationary pressures. It will enable the company to deliver results for shareholders as it moves forward.

Management says that as recovery from the pandemic progresses, POS trends could be higher than the 2019 pre-COVID levels. Despite the industry headwinds, Gildan Activewear's vertically integrated manufacturing platform is its competitive advantage.

Furthermore, if sustainable investing is the trend in 2022, count this retail stock among the ESG investments. *Investor's Business Daily* lists Gildan among the Top 100 Best ESG Companies because of superior ratings. It ranked eighth overall and is the top firm in the consumer goods sector.

Excellent year-end buys

Canada Goose and Gildan Activewear are established retailers with a solid and loyal following. Either one or both are excellent additions to your year-end portfolio.

CATEGORY

1. Investing

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2. NYSE:GOOS (Canada Goose)
3. TSX:GIL (Gildan Activewear Inc.)
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