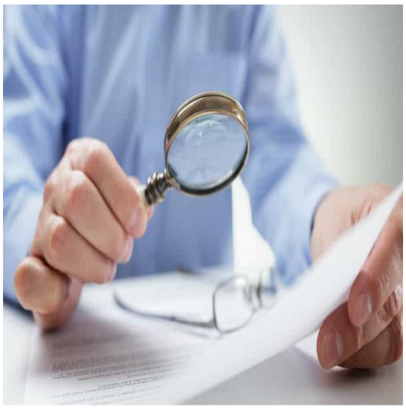

A Pair of Iconic Retail Stocks Deserve a 2nd Look

Description

Investors haven't focused much on retail stocks in 2022, but two Canadian icons can't be overlooked. First up is lifestyle brand **Canada Goose** (TSX:GOOS)(NYSE:GOOS), which had record sales in fiscal 2022. Second, the 20% EPS growth of value retailer **Dollarama** (TSX:DOL) in the 12 months ended January 30, 2022, was an incredible feat.

Record sales

Canada Goose incurred a net loss of $9.1 million in Q4 fiscal 2022. However, net income for the year (12 months ended April 3, 2022) rose 34.5% to $94.6 million versus fiscal year 2021. Total revenue increased 21.5% year over year to $1.09 billion.

Its chairman and CEO Dani Reiss said, "We closed fiscal 2022 with record sales for the year and confidence in our ability to accelerate earnings growth in Fiscal 2023 and beyond. We are expanding to new markets with new partnerships and stores complemented by a laser focus on customer experience."

According to Reiss, global supply chain issues had minimal impact, because 84% of Goose's products are manufactured in Canada. The rest are fabricated in Europe. Currently, higher and escalating freight costs are thorns to the business. Management also reported a 3% improvement in gross margin to 69.1%, and it should remain in the high 60s for fiscal 2023.

The $2.73 billion parka maker attributes the margin growth to price increases and a higher proportion of sales to wholesale partners compared to international distributors. Meanwhile, China, a key market, had significantly lower store traffic due to COVID-related lockdowns. Nevertheless, a gradual buildup is taking place.

Reiss further added that North America was the biggest growth driver, because of strong consumer confidence. Likewise, pre-pandemic trends are back. In its outlook For Q1 and full fiscal 2023, management expects revenue to be $60-$65 million and $1.3-$1.4 billion, respectively.

Canada Goose remains wary of COVID-19 restrictions, because it will weigh on ongoing demand improvement. As of this writing, you can purchase this retail stock at a deep discount. At $25.99 per share, the year-to-date loss is 44.56%. However, market analysts covering GOOS has a 12-month average price target of $42 (+61%).

Resilient business model

According to Dollarama's president and CEO Neil Rossy, the $19.99 billion value retailer delivered strong operational and financial results in fiscal 2022, notwithstanding the pandemic's impact. The top and bottom lines increased 7.5% and 17.5%, respectively, versus fiscal 2021.

Rossy added, "This remarkable performance speaks to the resilience of our business model and the relevance of our value promise to Canadian consumers, a promise we are committed to fulfilling in what remains a complex and volatile environment as we enter Fiscal 2023." Performance-wise, Dollarama investors have enjoyed an 8.05% year-to-date gain, besting the broader market (-4.83%).

Based on market analysts' forecast, the current share price of $68.30 could climb 12.4% to $76.77 in 12 months. The overall return should be slightly higher if you factor in the modest 0.30% dividend. Management increased the yield recently by 10%. Dollarama anticipates a favourable sales environment in the first half of fiscal 2023. Also, it plans to open 60-70 stores during the year.

Profitable retailers

Canada Goose and Dollarama are worth including in your portfolio. Both companies have never been in the red in the last three years.

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