



## 2 Top Retail Stocks to Buy Before Holiday Shopping Starts

### Description

The holiday season is around the corner and retail stocks will be under the microscope as they try to recover from their [slump](#) in 2022. **Canada Goose** ([TSX:GOOS](#)) and **Aritzia** ([TSX:ATZ](#)) are popular brands that usually rake in the most profits during the holiday season.

Despite the threat of recession, both companies expect strong sales in the latter part of 2022. Perhaps investors can take the cue and buy TSX's top [retail stocks](#) before holiday shopping starts.

### Successful transformation

Canada Goose trades at a deep discount (-50.13% year to date), so the current share price of \$23.38 is a good entry point. Market analysts covering GOOS has a 12-month average price target of \$35.64, or a 52.4% upside. Its chief executive officer (CEO) Dani Reiss said, "I think it's going to be a strong holiday season, actually."

The \$2.48 billion company manufactures premium down-filled jackets, specifically extreme weather outerwear. According to management, manufacturing 84% of its products in Canada is a competitive advantage, because it insulates the company from global supply disruptions.

Reiss said Canada Goose is different now in terms of the actual complexion of the business compared to eight years ago. It has transformed from a wholesale company to a retailer. He added that China is a fantastic, potentially huge market, and management is prepared to invest more in the future.

In the first quarter (Q1) of fiscal 2023 (three months ended July 31, 2022), revenue increased 24.2% to \$69.9 million, although net loss widened 8.5% to \$62.4 million versus Q1 fiscal 2022. Still, Reiss said, "Our first-quarter fiscal 2023 results reflect strong early leading indicators for the year, and we have seen encouraging trends in store productivity."

Reiss looks forward to planned store openings in some of the world's most exciting cities and shopping districts. He expects collection launches to drive brand heat and capture new consumers globally. But the most encouraging sign is that affluent customers' demand for luxury parkas and jackets isn't

slowing down, notwithstanding high inflation.

## Robust client demand

Aritzia is performing better than Canada Goose, given its -1.53% year-to-date loss. The current share price is \$51.55, and the retail stock carries a buy recommendation from market analysts. Their high price target in 12 months is \$67 (+29.99%). The \$5.65 billion Canadian fashion retailer is famous for its on-trend but affordable lifestyle apparel for women.

So far, in the first half of fiscal 2023, business is doing far better than expected. In the six months that ended August 28, 2022, net income rose 37.7% year over year to \$79.52 million. Aritzia's CEO Jennifer Wong also noted the exceptional sales momentum in Q2 fiscal 2023 and the net revenue growth of 50% to \$525.52 million versus Q2 fiscal 2022.

Wong expects the strong performance to continue through Q3 fiscal 2023 due to robust client demand across all product categories. She added that Aritzia is well positioned for long-term success.

## Make or break

Fitch Solutions maintains a positive outlook for Canadian household spending growth over 2022 and 2023. It projects real household spending to grow moderately by 3.78% in 2022 and 3.24% in 2023, although sticky inflation and rising interest rates are downside risks. This holiday season could be a make-or-break affair for retail stocks.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:GOOS (Canada Goose)

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