



Canadian Apparel Insights

May 2022

Marketing Intelligence for the Canadian Apparel Industry

Canadian Apparel Retailers Performance In 2021

Truth be told, there were few surprises in the 2021 market share results for many of Canada's major apparel retailers/organizations. The actual sales results (i.e. not survey data) documented that:

- Aritzia and lululemon Canada were the two retailers gaining the most share because of their developed omni-channel offering
- As consumers returned to stores, Winners, which lacked a credible e-commerce offering in 2020, gained major market share as e-commerce became relatively less important in 2021
- Reitmans (Canada) strategic initiatives over the past two years began to pay off in the second half of 2021
- Old Navy's failure to increase its share last year was directly related to its year-long logistic problems that limited the retailer's inventory
- Walmart's failure to gain share was due to Giant Tiger's apparel related initiatives and Walmart's less than compelling apparel e-commerce offering
- Roots could have lost share last year but given its performance at the end of 2021 it is well positioned to gain share in 2022

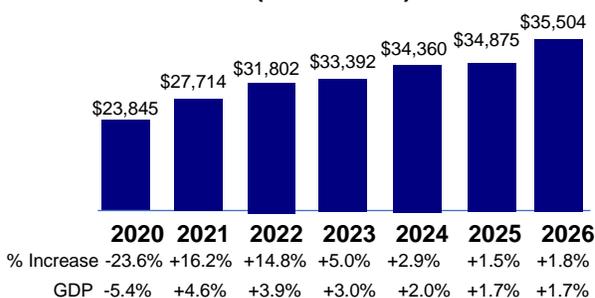
It would seem retail apparel concentration continued to increase in 2021.

Canadian Apparel Forecast 2022-2026

Trendex, once again is sticking its neck out by offering a forecast of the Canadian apparel market from 2022-2026. However, readers when evaluating the forecast, are admonished to remember that previously Trendex has noted: "Retail apparel forecasting appears to be a science that makes astrology look reasonable".

With that caveat in mind, a forecast of the Canadian retail apparel market is dependent on a number of variables which are detailed on the chart. Not all are given a similar weight in Trendex's apparel forecast. - cont. on page 5

Canadian Total Apparel Forecast (C\$ Millions)



Source: Trendex Forecast

TOTAL CANADIAN APPAREL MARKET Retail Dollar Share					
Retailer	2017	2018	2019	2020	2021
The Bay	3.7%	3.8%	3.7%	3.7%	3.6%
Walmart	5.7%	5.8%	5.6%	6.2%	6.2%
Winners	7.5%	7.7%	7.8%	6.8%	7.9%
Old Navy	2.3%	2.5%	2.5%	3.2%	3.2%
H&M	2.2%	2.2%	2.4%	2.7%	2.8%
The Gap (Store)	1.7%	1.6%	1.5%	1.5%	1.6%
Mark's	3.4%	3.4%	3.5%	4.3%	4.4%
Reitmans Canada Inc. (1)	3.3%	3.0%	2.8%	2.2%	2.4%
Lululemon (Canada)	2.0%	2.4%	2.7%	3.8%	4.2%
Aritzia (Canada) (1)	1.7%	2.0%	2.1%	2.4%	2.9%
Roots (Canada)	0.9%	0.9%	0.9%	0.9%	0.8%

(1) All banners in Canada only
Source: Trendex

Variable	Background/Importance	Implications
Apparel sales growth in 2021	Apparel sales increased 16.2% in 2021 following a 23.6% decrease in 2020	Positive sign that consumers were returning to brick-and-mortar stores
Apparel sales growth in Q1 2022	Apparel sales increased an estimated 28.2% in Q1 2022	Strong growth indicates apparel sales are returning to 2019 sales levels
Covid 19 Pandemic	Malls/store shopping restrictions had a devastating effect on apparel sales	The lifting of restrictions should positively affect all apparel segments
GDP Growth 2022-2027	Post-Covid the GDP should increase by 3.9% in 2022 and average 2.1% growth over 2023-2026	Apparel sales growth historically correlates with the GDP growth rate
Inflation Rate	Apparel price inflation is expected to be 1%-2.5% per year	While apparel inflation will be minor, a 5%-8% total inflation rate will result in less discretionary purchasing
Foreign tourism	Historically a major contributor to luxury apparel growth. However foreign tourism in 2021 was 87% less than in 2019	With travel restriction being lifted, foreign tourism will return to pre 2020 levels by mid 2023
Cross Border Shopping	Same day car trips by Canadians in 2021 to the U.S. were down 71% from 2019	With cross border travel restrictions being lifted, Canadians will return to normal apparel cross shopping behavior
New Home Sales	Interest rates will continue to rise as the Bank Of Canada attempts to tame inflation	Less home sales will free up spending on non-household discretionary purchases
Acceptance of Buy Now/Pay Later	Research has demonstrated that consumers availing themselves of this option spend 15%-17% more per purchase occasion	Positive incremental sales going forward, especially if inflation accelerates
Resale Apparel Growth	Estimated a C\$2.1 billion in 2021. According to Thread Up, apparel resale in the U.S. increased 32% in 2021. In North America the resale apparel market will increase eight times faster than the total apparel market by 2026	An estimated growth of 10%-15% per year over the next five years should act as a break on Canadian retail apparel sales growth

Gildan - Well That's More Like It!

Record first quarter 2022 results for Montreal based Gildan has laid the ground for a strong 2022 fiscal year. The vertically integrated manufacturer reported a 31% increase in revenue. The increase was due to a 37.7% sales growth in the company's activewear sales, while the company's hosiery/underwear division reported only a modest 2.5% sales increase.

As pandemic related shopping restrictions were lifted in North America sales increases in both the U.S. (+34.5%) and Canada (+33.6%) were exceptional. The small 4.5% increase in international sales reflected the continuing shopping restrictions in the rest of the world.

Gildan attributed the large increase in its activewear sales to unit sales growth at higher net selling prices. It said it also benefitted from a favorable product mix. Continued recovery of large events (e.g., concerts) and travel should drive its activewear division's sales. The relatively small increase in its underwear/hosiery division was attributable to price increases and not to an increase in demand. The division's sales could continue to be held down by discount store shoppers discretionary purchasing being negatively affected by inflation

GILDAN ACTIVEWEAR Q1 2022 (USD)		
	Q1 2021	% change from Q1 2020
Total Sales	+31.4%	+68.8%
Gross Profit	+27.5%	+125.7%
Net Earnings	+48.6%	*
Division		
Activewear	+37.7%	+78.8%
Hosiery/underwear	+2.5%	+24.4%
Location		
U.S.	+34.5%	+75.3%
Canada	+33.6%	+85.2%
All Other	+4.5%	+17.8%

* Loss of US\$99.3 million

Aritzia: Impressive Annual 2021 Results

Vancouver based Aritzia's winning streak continued during the retailer's fourth quarter ending Feb. 27, 2022. Total sales for the quarter increased 66.1%. The growth was a result of a 38.4% increase in Canadian sales and an impressive 110.7% increase in its U.S. sales. Retail store sales growth (+123.9%) exceeded e-commerce's growth (+21.7%) as consumers returned to brick-and-mortar retail outlets for their holiday shopping.

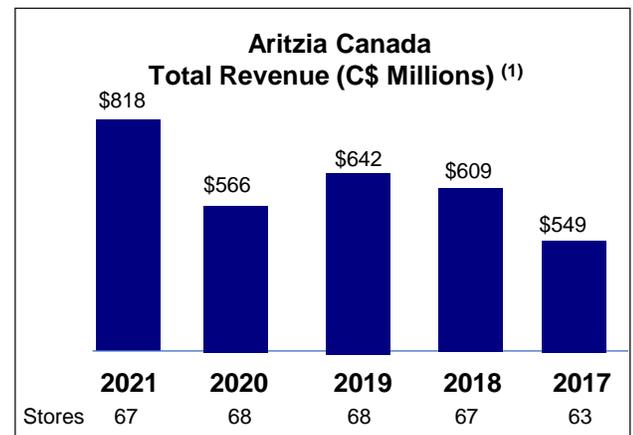
During all of 2021, Aritzia's total sales increased 74.3%, while its net income grew by 716.1%. The improvement in Aritzia's results for 2021 were due to several factors including:

- Opening six new stores while repositioning six stores
- An increase of 131.8% in U.S. store sales
- E-commerce growth of 32.7% on top of an 88.3% increase the previous year
- Brick-and-mortar sales increase of 115.8%
- Accelerated investment in omni-channel initiatives
- A 100% increase in active U.S. customers

Not content to rest on its 2021 performance, Aritzia during 2022 is forecasting:

- A 20% increase in sales
- Opening 8-10 new stores with all but one in the United States
- The repositioning/expansion of four-five existing stores
- Capital expenditures of C\$110-\$120 million, which includes the cost of a new Greater Toronto distribution centre

Assuming no Covid related restrictions during 2022, Aritzia is forecasting annual Canadian sales of C\$1.0 billion.



(1) Canadian only sales

Aritzia Quarter Ending		
	Q4 2021	Annual 2021
Total Sales	+66.1%	+74.3%
Net Income	+113.0%	+716.1%
Retail Stores	+123.9%	+115.8%
E-commerce	+21.7%	+32.7%
Canada	+38.4%	+44.7%
United States	+110.7%	+131.8%

Source: Aritzia

Canadian Apparel Exports

	Current Month			Year to Date		
	January	February	March	January	February	March
Total	-5.8%	+30.8%	+24.2%	-5.8%	+10.9%	+15.7%
Men	-8.5%	+53.4%	+49.0%	-8.5%	+20.3%	+29.3%
Women	-6.0%	+57.4%	+44.4%	-6.0%	+19.4%	+27.6%
Children	-68.7%	-55.2%	-44.0%	-68.7%	-60.3%	-54.0%
All Other	-3.7%	+4.1%	+47.2%	-3.7%	+1.6%	+3.0%
United States	+37.5%	+18.4%	+28.7%	+37.5%	+27.2%	+27.9%
China	-91.4%	+147.3%	+9.7%	-91.4%	-64.6%	+52.8%

Canadian Apparel Imports

	Current Month			Year to Date		
	January	February	March	January	February	March
Total	+16.0%	+6.2%	+23.7%	+16.0%	+11.8%	+16.6%
Men	+25.6%	+13.6%	+24.7%	+25.6%	+20.5%	+22.3%
Women	+23.9%	+6.6%	+27.8%	+23.9%	+15.7%	+20.9%
Children	-4.6%	-16.7%	+24.0%	-4.6%	-11.9%	-0.3%
All Other	-1.1%	+1.4%	+16.6%	-1.1%	+4.7%	+7.4%
China	+0.5%	+15.9%	+23.4%	+0.5%	+8.2%	+14.2%
Bangladesh	+35.8%	+15.5%	+52.6%	+35.8%	+25.5%	+35.9%
Vietnam	+25.6%	-13.9%	+32.5%	+25.6%	+6.2%	+15.3%
Cambodia	+9.4%	-36.9%	-6.1%	+9.4%	-18.6%	-14.3%
India	+86.4%	+54.1%	+38.7%	+86.4%	+72.5%	+57.2%

Canadian Apparel Manufacturing Sales

	Current Month			Year to Date		
	January	February	March	January	February	March
Total	+0.4%	+14.8%	+30.7%	+0.4%	+8.2%	16.2%

Same Day Car Trips To The U.S.

	Current Month			Year to Date		
	January	February	March	January	February	March
Total	+47.8%	+53.5%	+85.0%	+47.8%	+50.6%	+63.7%

Canadian Apparel Exports

After increasing by 36.1% in 2021, Canadian apparel exports increased 24.2% during March 2022. During the first quarter of 2022 apparel exports to the U.S. increased a strong 27.9%, while those to China increased by 52.8%. Other countries registering an increase during the first three months of 2022 included the UK (+24.7%) Mexico (+27.1%) and the Netherlands (+82.5%). Hong Kong(-50.9%), Japan (-2.5%) and Germany (-28.1%) registered decreases.

Canadian Apparel Imports

Canadian apparel imports increased a strong 23.7% in March 2022. The increase came on top of a 6.2% increase in imports in February 2022. During the first three months of 2022, apparel imports increased 16.6%, while those from Bangladesh (+35.9%), India (+57.2%) and Indonesia (+37.6%) increased even more.

Canadian Apparel Manufacturing

After increasing by 14.8% in February apparel manufacturing sales increased by 30.7% in March 2022 and were up 16.2% in the first three months of 2022.

It Should Be Noted:

Carters Canada reported that its wholesale/retail sales increased 18% in the quarter ending April 2, 2022. Comparable sales in its 185 stores increased 4.9%. The company noted that traffic decreased in its e-commerce channel.

TJ Maxx Canada's sales were extremely strong during the first quarter of 2022. The conglomerate's 41.3% increase in sales was undoubtedly attributable to the retail conglomerate adding 17 stores during the quarter and the opening of all its 547 stores during Q1 2022. In addition to a healthy sales increase the divisions segment profit increased by a strong 76.8%.

Gap Canada's sales increased 0.7% in Q1 2022. Sales in Old Navy fell 7.6%, Gap/Gap Kids sales fell -5.9% and Banana Republic sales increased 26.5%

Canadian Retail Apparel Sales

	Current Month			Year to Date		
	December	January	February	December	January	February
Total	+36.4%	+45.7%	+36.5%	+16.2%	+45.7%	+40.7%
Men	+33.9%	+55.8%	+48.1%	+18.4%	+55.8%	+55.4%
Women	+39.4%	+47.8%	+33.8%	+18.6%	+47.8%	+36.7%
Children	+26.9%	+29.8%	+13.7%	+13.1%	+29.8%	+18.2%

Canadian Mens Retail Apparel Sales

MENS	Current Month			Year to Date		
	December	January	February	December	January	February
Outerwear	+38.2%	+87.2%	+63.0%	+14.7%	+87.2%	+77.2%
Dress Apparel	N.A.	N.A.	+126.7%	-6.5%	N.A.	+133.3%
Pants/Shirts	+39.4%	+49.1%	+48.8%	+23.7%	+49.1%	+52.1%
Underwear/Socks	+22.2%	+53.8%	+20.4%	+1.3%	+53.8%	+34.8%
Accessories	+30.8%	+5.0%	+41.8%	+21.8%	+5.0%	+45.6%
Other Clothing	+29.1%	+19.4%	+38.2%	+11.1%	+19.4%	+46.1%

Canadian Womens Retail Apparel Sales

WOMEN	Current Month			Year to Date		
	December	January	February	December	January	February
Outerwear	+29.2%	+58.6%	+21.0%	+16.6%	+58.6%	+31.3%
Dresses/Suits	+58.7%	+57.5%	+51.1%	+20.4%	+57.5%	+42.8%
Tops/Bottoms	+44.8%	+49.8%	+40.6%	+20.3%	+49.8%	+42.7%
Lingerie	+40.1%	+33.3%	+9.2%	+17.6%	+33.5%	+17.3%
Hosiery/Socks	+26.8%	+35.0%	+3.7%	+27.8%	+35.0%	+12.0%
Accessories	+33.8%	+55.0%	+38.3%	+23.7%	+55.0%	+36.3%
Other Clothing	+28.0%	+34.1%	+57.9%	-0.8%	+34.1%	+60.2%

Canadian Clothing Specialty Store Sales

	Current Month			Year to Date		
	January	February	March	January	February	March
Total	+65.3%	+46.9%	+17.2%	+65.3%	+52.2%	+37.6%

Consumer Apparel Price Index

Index	Consumer Apparel Price Index			Canadian Consumer Confidence		
	February	March	April	February	March	April
Index	81.3	82.1	82.7	93.1	95.3	99.8
% Change (m/m)	+1.0%	+1.0%	+0.7%	-7.6%	+2.4%	+4.7%
% Change (y/y)	+0.7%	0.0%	-1.2%	+2.2%	-3.2%	N.A.

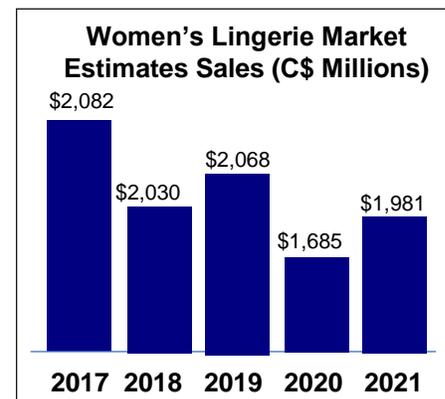
Source: Statistics Canada

Retail Apparel Sales Perform Strongly YTD

Retail apparel sales continued to get off to a fast start in 2022. Total retail apparel sales increased 36.5% in February. Men's sales increased 48.1%, while women's sales increased 33.8%. After increasing 46.9% in February, sales in only clothing specialty stores increased 17.2% during March 2022. During the first quarter of 2022 apparel specialty store sales increased 37.6%.

Positive Growth For Lingerie Sales

Women's lingerie sales bounced back in 2021 after decreasing 18.5% in 2020. According to Statistics Canada, lingerie sales increased 17.6% in 2021 to C\$1.98 billion. During the period 2017-2021 lingerie sales decreased 4.8%. In 2021 lingerie accounted for 13.6% of women's sales. Trendex estimates that La Vie En Rose was the country's largest lingerie retailer during 2021.



Source: Statistics Canada

No Apparel Price Inflation: Yet

Apparel retail prices in Canada during April 2022 increased 0.7% over those of the previous month and were down 1.2% from a year earlier. (In the U.S, apparel prices were up 5.4% year over year in April 2022.) Serving to restrict the year over year growth in apparel prices in Canada during April 2022 was kids' apparel by 7.4%, whose average prices decreased.



Marks Standout Q1 2022 Results

Sales at Marks, the country’s largest apparel specialty retailer, would seem to be on fire. The retailer, whose sales increased 17.2% in all of 2021, reported a 17.4% sales increase in Q1 2022. The increase came on top of 13.7% increase in Q1 2021. The Calgary based retailer attributed its Q1 2022 sales increase to strong growth in casual wear and industrial apparel sales. The retailer also noted it benefitted from “strong inventory management and targeted promotions”.

Sport Chek’s sales in its 375 stores (24 less than a year earlier) increased by 4.5% during the quarter. Comparable sales were up 10.2% when the closure of National Sport stores were excluded from the base of the calculation. Top performing categories included hockey, outerwear, and casual clothing. The retailer noted that overall, it “benefitted from the continued resumption of organized team sports and fewer pandemic related restrictions”.

Helly Hansen’s sales increased 24.4%. The increased followed a 12.4% increase in Q1 2021.

Obviously, CTC’s retail division, as defined by the performance of these three retailers, is off to a good start for 2022.

Company	Q1 2022		
	Quarter Ending	Total	Comp Sales
Columbia Sportswear (Canada)	Apr 3	+26.0%	N.A.
Carter’s (Canada)	Apr 3	+18.0%	+4.9%
Gildan (Canada)	Apr 3	+33.6%	N.A.
Marks	Apr 2	+17.4%	+17.1%
Sport Chek	Apr 2	+4.5%	+10.2%
Walmart Canada	Apr 30	+6.9%	+7.7%
TJX Canada	Apr 30	+41.3%	N.A.
Gap/Gap Kids	Apr 30	-5.9%	N.A.
Old Navy	Apr 30	-7.6%	N.A.
Banana Republic	Apr 30	+26.5%	N.A.
LXRandCo	Mar 31	+65.1%	N.A.
Helly Hanson	Apr 2	+24.4%	N.A.

Canada Goose: A Disappointing Q4 Holds Down 2021 Annual Sales

Canada Goose ended its fiscal year on April 3, 2022, with a somewhat disappointing fourth quarter. Total revenue increased by 6.8% as a result of only an 8% increase in DTC revenue and an even smaller 3.5% increase in wholesale revenue. Even more surprising was the 12.9% decrease in its e-commerce sales.

For its fiscal year ending April 3, 2022, Canada Goose sales increased 21.5%, while its net income grew by 34.6% after falling by 53.7% the previous year. The growth in the company’s sales was disproportionately in its DTC channel. However, the growth in the channel was not in its e-commerce segment (+15.9%) but rather in its 51 worldwide boutiques.

The company’s wholesale growth (+8.2%) reflected Canada Goose’s efforts to prioritize its DTC channel at the expense of its wholesale channel. From a regional standpoint, sales in Canada (+0.7%) were disappointing (is the bloom off the rose?) compared to those in the US (+34.3%) and the Asia/Pacific (+24.5%) region.

Bottom line: Canada Goose closed the year with record sales. However, looking forward, in spite of a few warning signs flashing, the company is well positioned to “goose” (N.B. apologizes for the pun) its revenue in 2022 as a result of three initiatives: opening 14 new stores, a new joint venture in Japan and an expanded merchandise offering.

- cont. from page 1

Canadian Apparel Forecast 2022-2026

Using all of the above variable as input Trendex is forecasting that as of June 1, 2022, Canadian apparel sales will increase by 14.8% in 2022 after increasing 16.2% in 2021. Subsequently the apparel market will increase by 5.0% in 2023 and average a 1.9% growth rate over 2024-2026. Three wild cards that could affect the forecast are a slowdown in the economy because of the war in Ukraine, a sustained high overall rate of inflation, and a significant increase in resale apparel sales.

Peter Thiel, a venture capitalist one jibed when reviewing the accuracy of previous forecasts. “Instead of the Jetsons flying cars, we got 140 characters” Readers – you have been warned!