3 Retail Giants to Buy Right Now

Description

The retail industry is highly competitive and constantly evolving, so as investors, we must be very careful when choosing the right retail stock for our portfolios. There are many ways you can go about selecting the right stock for your portfolio, but one of the best and least-risky ways I have found is to follow these criteria:

- The company is a leader in its space
- Its stock is undervalued on a price-to-earnings basis
- It pays a dividend

I've scoured the retail industry and found three stocks that meet these criteria perfectly, so let's take a closer look at each to determine which would fit best in your portfolio.

1. Loblaw Companies Limited

Loblaw Companies Limited (TSX:L) is Canada's food and pharmacy leader. As of January 2, 2016, it had 2,429 corporate, franchise, and associate-owned stores under its many banners, including Loblaw, Shoppers Drug Mart, and Real Canadian Superstore.

At today's levels, its stock trades at just 18.1 times fiscal 2016's estimated earnings per share of $3.91 and only 16.1 times fiscal 2017's estimated earnings per share of $4.39, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 160.8 and its sub-industry average multiple of 24.1.

In addition, Loblaw pays a quarterly dividend of $0.25 per share, or $1.00 per share annually, which gives its stock a yield of about 1.4%. Investors must also note that it has raised its annual dividend payment for four consecutive years, and its 2% hike in May 2015 has it on pace for 2016 to mark the fifth consecutive year with an increase.

2. Dollarama Inc.

Dollarama Inc. (TSX:DOL) is Canada's largest owner and operator of dollar stores. As of November 1, 2015, it had 1,005 stores across all 10 provinces.

At today's levels, its stock trades at just 26.5 times fiscal 2016's estimated earnings per share of $2.92 and only 24 times fiscal 2017's estimated earnings per share of $3.22, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 41.5 and its sub-industry average multiple of 28.

In addition, Dollarama pays a quarterly dividend of $0.09 per share, or $0.36 per share annually, which gives its stock a yield of about 0.5%. Investors must also note that it has raised its annual dividend payment for four consecutive years, and I think its strong financial performance will allow it to announce another dividend hike when it reports its fourth-quarter earnings results on March 30.

3. Leon's Furniture Ltd.

Leon's Furniture Ltd. (TSX:LNF) is Canada's largest owner and operator of furniture stores. As of December 31, 2015, it had 301 corporate and franchise stores under its many banners, including Leon's, The Brick, and United Furniture Warehouse.

At today's levels, its stock trades at just 14.3 times fiscal 2016's estimated earnings per share of $1.05 and only 12.6 times fiscal 2017's estimated earnings per share of $1.19, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 16.9 and its sub-industry average multiple 23.9.

In addition, Leon's pays a quarterly dividend of $0.10 per share, or $0.40 per share annually, which gives its stock a yield of about 2.7%. Investors must also note that it has maintained this annual rate since 2012.

Does your portfolio lack exposure to the retail industry?

Loblaw, Dollarama, and Leon's Furniture are three of the best investment options in the retail industry today. Foolish investors should strongly consider making one of them a core holding.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:L (Loblaw Companies Limited)
3. TSX:LNF (Leon's Furniture Limited)

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