2 High-Growth Retail Stocks to Consider Today

Description

If you're a growth investor with cash on hand that you're ready to put to work, then you've come to the right place. I've scoured the retail industry and selected my two favourite investment options, so let's take a quick look at each to determine if you should buy one of them today.

Sleep Country Canada Holdings Inc.

Overview of the company

Sleep Country Canada Holdings Inc. (TSX:ZZZ) is Canada's leading retailer of mattresses through its two retail banners, Dormez-vous? and Sleep Country Canada. Dormez-vous? is the leading mattress retailer in Quebec, and Sleep Country Canada is the leading mattress retailer in the rest of Canada. In total, the company has 233 stores across the country.

An incredible financial performance in the first half of 2016

On July 28, Sleep Country announced very strong earnings results for its three- and six-month periods ended on June 30, 2016. Here's a quick breakdown of eight of the most notable statistics from the first half of fiscal 2016 compared with the same period in fiscal 2015:

1. Revenues increased 17.2% to $227.5 million
2. Same-store sales increased 11.9%, on top of 9% growth in the year-ago period
3. Gross profit increased 22.6% to $60.3 million
4. Gross margin expanded 110 basis points to 26.5%
5. Operating earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 34.1% to $32.3 million
6. Adjusted net income increased 35.6% to $17.6 million
7. Adjusted earnings per share increased 35.3% to $0.47
8. Opened nine new stores and renovated 10 others

An attractively priced stock you could buy today

At today's levels, Sleep Country's stock trades at just 23.8 times fiscal 2016's estimated earnings per share of $1.27 and only 20.5 times fiscal 2017's estimated earnings per share of $1.47, both of which are inexpensive given its estimated 16.1% long-term earnings-growth rate.

A dividend with major growth potential

Sleep Country pays a quarterly dividend of $0.15 per share, or $0.60 per share on an annualized basis, which gives its stock a yield of about 2% at today's levels.

It's also important to make the following three notes.

First, Sleep Country went public in July 2015 and it declared and paid its first quarterly dividend in November 2015.

Second, its 15.4% dividend hike last month has it on pace for 2016 to mark the first year in which it has raised its annual dividend rate.

Third, I think its very strong growth of operating EBITDA, including the aforementioned 34.1% year-over-year increase to $32.3 million in the first half, and its very low payout ratio, including just 26.6% of its operating EBITDA in the first half, could allow its streak of annual dividend increases to continue for many years to come.

Dollarama Inc.

Overview of the company

Dollarama Inc. (TSX:DOL) is Canada's largest owner and operator of dollar stores with 1,038 stores across all 10 provinces.

Kicking off fiscal 2017 with a bang

On June 8, Dollarama announced very strong earnings results for its three-month period ended on May 1, 2016. Here's a quick breakdown of eight of the most notable statistics from the first quarter of fiscal 2017 compared with the same period in fiscal 2016:

1. Revenues increased 13.2% to $641 million
2. Same-store sales increased 6.6%, on top of 6.9% growth in the year-ago period
3. Gross profit increased 16.2% to $236.9 million
4. Gross margin improved 100 basis points to 37%
5. EBITDA increased 26.4% to $133.9 million
6. Net income increased 28.4% to $83.2 million
7. Diluted earnings per share increased 36% to $0.68
8. Opened eight net new stores

An attractively priced stock you could buy today

At today's levels, Dollarama's stock trades at just 27.8 times fiscal 2017's estimated earnings per share of $3.47 and only 24.1 times fiscal 2018's estimated earnings per share of $4.00, both of which are inexpensive given its estimated 16.7% long-term earnings-growth rate.

A dividend on the rise

Dollarama pays a quarterly dividend of $0.10 per share, or $0.40 per share on an annualized basis, which gives its stock a yield of about 0.4% at today's levels.

It's also important to make the following two notes.

First, Dollarama has raised its annual dividend payment for four consecutive years, and its 11.1% hike in March has it on pace for 2016 to mark the fifth consecutive year with an increase.

Second, I think its very strong earnings growth, including the aforementioned 36% year-over-year increase to $0.68 per share in the first quarter, and its very low payout ratio, including just 14.7% of its earnings in the first quarter, could allow its streak of annual dividend increases to continue for the foreseeable future.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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