Where Retail Sales Will Continue to Grow

Description

After the recent bankruptcy at Sears Canada Inc., many Canadian consumers now have to find another retail location to purchase the household items needed, as the remaining Sears locations are currently in liquidation mode and about to close. While many younger consumers do not feel affected by this bankruptcy, there are a number of older consumers who have been shopping with the retailer for their entire lives, many of which will not want to discover a new competitor.

With the potential for many older consumers to redistribute their shopping dollars to the remaining retailers with which they are already comfortable, shareholders in these existing competitors will continue to benefit from the Sears Canada bankruptcy. Shares of **Canadian Tire Corporation Limited** (TSX:CTC.A) offer investors substantial value at $158 per share, which reflects a dividend yield of 1.6% and a trailing price-to-earnings ratio (P/E) of almost 16 times. As sales have increased at a compounded annual growth rate of 2.5% from 2013 to 2016, the company may yet still benefit from the demise of Sears.

The catalyst for investors will be the translation of the increase in revenues to the bottom line. In 2013, the total profit was $561 million, which was 4.76% of revenues. For the full fiscal year of 2016, the bottom-line number increased to $669.1 million, or 5.27% of revenues. During the four-year gap between these years, total revenues increased by approximately $895 million, while profits increased by $107.9 million.

Arguably, investors have reaped huge rewards from only incremental increases in revenues, as the increase in profits from 2013 to 2016 accounts for 12% of the increases in revenues over the same period of time. Assuming that even a small portion of sales previously had by Sears Canada are reallocated to Canadian Tire Corporation Limited, shares of the Canadian retailing giant will be ready to run once again.

For investors seeking a more conservative name, U.S.-based **Wal-Mart Stores Inc.** (NYSE:WMT) is a worldwide retailing giant. The biggest brick-and-mortar retailer, shareholders buying shares at the current price of $87 will receive a dividend yield of no less than 2.3% in addition to an incredible footprint. Although sales in Canada represent only a small portion of total revenues of the retailing giant, the truth is that it is highly likely for those revenues to increase in the coming year.

The benefit investors will also receive from this security is the stability of revenues and earnings from across the globe. In addition to doing business in North America, the company also has operations in opposing time zones. With one season offsetting the other, more consistency is key for investors.

With a number of retailers to choose from, investors (just like consumers) do not need to look far for outstanding investment opportunities in growing retailers.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:WMT (Wal-Mart Stores Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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