This Stock Has Soared 31% in April: Is it Too Late to Join The Party?

Description

Roots Corp. (TSX:ROOT) stock has soared 31% in April off continued exceptional performance from the company.

After 40 years in existence, Roots has created powerful brand that's known for its quality and style.

In the last three years, the company has grown its revenue at a compound average growth rate in the mid-teens percentage range, and the company's gross margin continues to rise.

Fiscal 2017 was another successful year for Roots, with total sales rising 15.7%, same store sales rising 12.1%, and a gross margin of 55.8% compared to 52.2% in fiscal 2016.

Adjusted net income per share increased 35.3% to $0.59, above expectations of $0.55. Accordingly, analysts increased their estimates and target prices after these results, driving the stock even higher.

While the retailer has definitely impressed us all over the last few years, growth plans going forward include a much more risky plan, including growth in the very competitive U.S. market, as well as its continued expansion in Asian countries.

Closer to home, I think we should also consider that the macro environment will probably get a little more difficult, with consumers struggling with record debt levels, falling home prices, and rising interest rates.

The stock is attractively valued, however, so it's not a bad choice for investors looking for a retailer that's well positioned to come out ahead in this changing retail landscape.

Another retailer that is beating expectations and continuing to deliver the goods is **Canadian Tire Corporation** (TSX:CTC.A).

In the fourth quarter, same-store sales growth came in at 3.5%, EPS came in at $4.10, 18.5% higher than last year and significantly above consensus expectations of $3.80.

Margins increased nicely during the quarter as the company continues to work on efficiency and best practices to achieve this. The EBITDA margin was 14.1% in the quarter, compared to 13.9% in the same quarter last year.

Indigo Books and Music Inc. (TSX:IDG) has seen strength in this new retail world as well. Same-store sales increased 7.9% in the fourth quarter with booming online sales and the general merchandise category, which witnessed up to 20% revenue growth.

Indigo trades at 18 times this year's expected earnings.

Sleep Country Canada Holdings Inc. (TSX:ZZZ) stock price has more than doubled in the last three years, as the company has opened 109 stores since the beginning of 2007. With the demise of Sears, once an iconic Canadian retailer, Sleep Country has a gaping hole to fill.

Sleep Country also trades at 18 times this year's expected earnings.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:IDG (Indigo Books & Music)
3. TSX:ROOT (Roots Corporation)
4. TSX:ZZZ (Sleep Country Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/18
Date Created
2018/04/25
Author
karenjennifer