3 Retail Stocks to Stash in Your TFSA Before Summer

Description

Statistics Canada released its March 2018 retail trade report on May 18. Retail sales climbed by 0.6% to $50.2 billion. This was the third consecutive month of gains for Canadian retail. Sales rose in six of 11 sub-sectors but were largely powered by sales at motor vehicle and parts dealers.

The S&P/TSX Composite Index has rallied back to its January levels in April and May, but investors will be hoping the summer will power it to new heights. Let's take a look at three retailers that could bolster your TFSA ahead of June.

Aritzia Inc. (TSX:ATZ)

Aritzia is a design house and fashion retailer based in Vancouver and with operations across the U.S. and Canada. Its stock has climbed 9.3% in 2018 as of close on May 22. After a difficult 2017, Aritzia has emerged as one of the most attractive clothing retail options this year.

In fiscal 2018, Aritzia saw net revenue increase 11.4% to $743.3 million and reported comparable sales growth of 6.6% over the prior year. Net income climbed to $57.1 million in comparison to a $56.1 million loss in fiscal 2017, while adjusted EBITDA rose 12.8% to $132.7 million.

Like many successful clothing retailers in the present era, Aritzia has reported successes by balancing its brick-and-mortar footprint with a fast-growing e-commerce business. Clothing and clothing accessories stores saw sales rise 2.5% in March. The stock still comes relatively cheap after plunging over 20% since its initial public offering in late 2016.

Dollarama Inc. (TSX:DOL)

There is no getting around it. Dollarama has been an absolute beast this decade. Shares have soared over 1,000% since January 1, 2010, as the dollar store industry has proven robust in the years following the financial crisis. The rise of online retailers like **Amazon.com, Inc.** have crushed traditional retailers, but dollar stores and convenience stores have flourished and even attracted a more diverse clientele by income strata in that time period.

Dollarama released its fourth-quarter and full-year results for fiscal 2018 on March 29. Sales rose 10.2% from fiscal 2017 to $3.26 billion and comparable store sales increased 5.2% year over year. The decision to include credit card purchases was a big win for Dollarama in the middle of the year, and the company says that it is focused on same-store sales growth and expansion of locations in fiscal 2019.

Canadian Tire Corporation Limited (TSX:CTC.A)

Canadian Tire is a Toronto-based retailer that boasts a wide array of product focuses, including home goods, sporting equipment, automotive parts and accessories, and others. Receipts at general merchandise stores rose 1% in March, and motor vehicle and parts dealers saw a 3% increase in activity. Canadian Tire released its first-quarter results on May 10.

Consolidated same-store sales rose 5.2% year over year, and retail segment revenue climbed 2.8%. Excluding Petroleum, consolidated retail sales increased 5.1% over Q1 2017. The company also declared a quarterly dividend of $0.90 per share, representing a 1.2% dividend yield.

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:DOL (Dollarama Inc.)

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