



## The Best Retail Stocks: 2 Stocks You Should Buy Now

### Description

Have you ever wondered what the best retail stocks to invest in are? With the constant threat of online commerce giants eating up more traditional retailers, finding a great investment or two in the segment is becoming increasingly difficult.

Fortunately, here are two options worthy of consideration.

**Dollarama Inc.** ([TSX:DOL](#)) is often mentioned as one of the best, if not the best, retail stocks in the country. Dollarama operates a growing network of dollar store locations scattered around the country that offer a wide variety of products at fixed priced points from \$1 to \$4. Those fixed price points are one of several unique factors that give Dollarama an edge over its competitors.

First, there's the bundling effect. Dollarama will frequently take two similar products and bundle them at one of the higher price points — \$4 or under. This gives shoppers the perception that they are receiving a great deal for the product they are paying for.

Second, there's the changing array of products on offer. Each time Dollarama introduces a higher price point, the company introduces larger or higher-quality goods to shoppers, typically resulting in a bump during results season.

Finally, there's the nature of the business itself. Dollar stores can weather differing swings in the economy, remaining an [appealing option in both good times and bad](#). With a +1,100-store network and more growth planned, Dollarama is an intriguing buy.

In terms of results, Dollarama is due to report results for the latest fiscal quarter later this week. In the most recent quarter, Dollarama reported a 17% improvement in net earnings over the same period last year, and sales figures showcased an equally impressive 9.8% increase to \$938.1 million. Comparable stores witnessed a bump of 5.5% over and above the 5.8% increase from the prior year.

One of the often-cited concerns relating to Dollarama is whether the company can continue to sustain its current level of growth. Earnings continue to see double-digit gains with each passing quarter, and while the stock price has remained relatively flat this year, there's reason to see some growth coming

in the months ahead.

Dollarama has a three-for-one split set to transpire later this month. While stock splits are generally non-events for existing shareholders, they offer an opportunity, however small, for new prospective investors that view Dollarama as a great buy but that remains just out of their target price range. This non-event will allow those investors to finally join the party.

**Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) is a more traditional retailer that will resonate with most Canadians. Traditionally viewed as the place to go for automotive parts, camping equipment, bikes, and skates, the iconic retailer has reinvented itself over the past few years to become one of the successful behemoths of retail in Canada, and, by extension, a best-practices example for other retailers around the world on how to utilize technology to aid in the retail process.

When [Canadian Tire reinvented itself](#), the company did so by embracing technology and the new opportunities it provided for growing revenue. Canadian Tire revamped its website, greatly enhancing its presence to appeal to mobile shoppers. The company also did away with its physical reward “money,” replacing it with an online system that could appeal to larger crowds.

In short, Canadian Tire made technology part of the buying process rather than a gimmicky add-on that other retailers were accustomed to. Examples include the use of driving simulators to try out new tires in different weather conditions and using treadmills to recommend the perfect running shoe.

From a results standpoint, Canadian Tire reported retail sales of \$2,741.6 million in the first fiscal of 2018, representing a 6.4% increase over the same period in fiscal 2017. Revenue for the period came in 3.4% higher to \$2,814.9 million. Net income for the quarter came in at \$99.1 million for the quarter, lower than the \$107.1 million reported in the same quarter last year.

Canadian Tire offers a solid 2.22% yield to investors and trades at just over \$165 with a P/E of 15.50.

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2. TSX:DOL (Dollarama Inc.)

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