3 Canadian Retail Stocks to Buy as the TSX Index Hits a New High

Description

The TSX Index is breaking through record levels, led by a resurgence in the energy sector and continued interest in marijuana stocks.

While these groups tend to get significant media attention and could continue to drive the market higher, opportunities exist in other areas, including retail.

Let's take a look at **Dollarama Inc.** (TSX:DOL), **Metro, Inc.** (TSX:MRU), and **Canadian Tire Corporation Limited** (TSX:CTC.A) to see why they might be interesting picks today.

Dollarama

Dollarama just completed a three-for-one stock split and is trading near its all-time highs.

The company reported solid fiscal Q1 results, which cover the period from January 29 to April 29. Sales increased by 7.3%, EBITDA rose 9.2%, operating income increased 8.7%, and diluted earnings per share jumped 12.2% compared to the same period last year.

Gross margins were unchanged at 37.6% of sales.

Dollarama continues to expand its network of stores, opening 10 net new locations in the quarter. For the fiscal year, the company plans to add a total of 60-70 net new stores.

At the time of the Q1 report, Dollarama had 1,170 locations across Canada.

Management has done a good job of putting currency hedges in place to mitigate risks connected to fluctuations of the Canadian dollar against the greenback. In addition, the company has room to raise prices on some goods without impacting sales and is very successful at refreshing 25-30% of its product offerings each year.

Dollarama pays a dividend and has a normal course issuer bid in place that could see the companybuy back up to 5% of its outstanding common shares over the next year.

At 33 times trailing earnings, the stock isn't cheap, but the company dominates its niche and continues to grow.

Metro

Metro recently closed its acquisition of Jean Coutu, bulking up it pharmacy business in Quebec ahead of the opening of the Canadian cannabis market. In total, the company now has 650 pharmacies.

Metro also owns 600 grocery stores in Quebec and Ontario. The company targets the full range of the income scale and operates under several brands, including Metro, Food Basics, Super C, and Adonis.

In addition, Metro owns a majority position in meal-kit company MissFresh.

Metro remains successful in a tough market and has positioned itself to compete in the rapidly changing grocery and pharmacy segments.

The company has a strong track record of dividend growth, and that trend should continue. The current payout of $0.18 per share is nearly 11% higher than a year ago.

Canadian Tire

Canadian Tire is a giant in the Canadian retail sector, with 1,700 stores and gas stations across Canada. The company also has a majority interest in CT REIT, which owns more than 325 properties with 26.2 million square feet of gross leasable space.

The company isn't widely viewed as a dividend play, but Canadian Tire has delivered a compound annual dividend-growth rate of better than 16% since 2012 and currently provides a yield of 2%.

At the time of writing, the shares trade close to an all-time high, but they still sell for a reasonable 16.5 times trailing earnings, which is slightly above the five-year average of about 15.3 times.

Long-term investors have done well. Canadian Tire has gone from $55 per share to $175 per share in the past 10 years.

The bottom line

The TSX Index is home to a wide variety of top Canadian stocks that often fly under the radar of many investors. If you are looking for buy-and-hold retail picks for your portfolio, Dollarama, Metro, and Canadian Tire are well-run companies with proven track records of growth.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/27
Date Created
2018/06/22
Author
aswalker