3 Best-in-Class Retail Stocks to Start Your RRSP Portfolio

Description

For all of 20-something-year-old investors who are starting your RRSP portfolios, your time horizon is quite long, so a big portion of your RRSP should be devoted to growth stocks, or stocks you believe will benefit from secular trends.

Here are three best-in-class retail stocks that have already been outperforming and that can be expected to continue to do so, as the retail industry is changing, and these companies continue to be the beneficiaries.

Canadian Tire (TSX:CTC.A)

With one of the most recognizable brand names and a long history, Canadian Tire, with $13.5 billion in revenue, has an unrivaled position in the Canadian retail industry.

As evidence of the company's success and value creation, we have seen dividend increases and massive share price increases along the way.

Canadian Tire stock has risen 36.5% in the last three years and 29% in the last year. This capital appreciation has been accompanied by strong dividend growth.

In the last 10 years, annual dividends have grown at a compound annual growth rate of 16%.

The dividend yield is currently a reasonable 2%, and investors can have confidence in the future growth rate of these dividends, as the company continues to seek out acquisitions to boost growth and to drive higher margins and returns.

Sleep Country Canada (TSX:ZZZ)

Sleep Country is another retailer that has really kicked it out of the park, as it benefits from the changing retail landscape here in Canada — namely, the exit of its biggest competitor, Sears Canada.

The company has a strong business model that delivers strong free cash flows, enabling it to pay a dividend (current dividend yield of 2.36%), and to expand its store base to continue to make up for the closure of Sears, and to continue to capture market share.

Sleep Country has posted very strong sales growth numbers and still has a strong growth trajectory ahead of it.

Just as importantly, it has the means to fully capitalize on this opportunity.

Indigo Books and Music (TSX:IDG)

Indigo is also coming off a period of strong same-store sales growth and expansion, one that seems to have slowed a bit recently, but the story has only just begun.

The CEO has said that the goal is to position Indigo as the department store of the future, and given the shake-up in the Canadian retail industry, we can see that there is demand for something different.

And Indigo seems to have what it takes.

With newly renovated stores continuing to deliver double-digit same-store sales growth, and continued strong online growth, the company is capturing market share at a feverish pace.

Recent results show a hit to the company's profitability due to the growth phase it's in, but in my view, this is short-term pain for long-term gain.

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1. Dividend Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

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Date
2025/08/17
Date Created
2018/08/10
Author
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