



3 Retail Stocks to Store in Your TFSA

Description

The retail sector has faced major challenges over the past decade. This year saw the [downfall of Toys “R” Us](#) only months removed from the collapse of Sears Canada. Grocery retailers have also [faced headwinds](#) due to minimum wage hikes, increased competition between peers, and the growing threat of **Amazon** in the grocery retail sector.

Statistics Canada recently released retail numbers for the month of June. Retail sales fell 0.2% in June to \$50.7 billion with six of 11 sub-sectors experiencing a decline in activity. However, there were some positive takeaways for investors still looking for exposure to the retail sector.

Sales at building material and garden equipment dealers rose 1.1% from the previous quarter and were up 5.8% year over year. General merchandise retail activity increased 1.9% from the prior year. With these numbers in mind, let’s look at three stocks investors may want to target going forward.

Richelieu Hardware ([TSX:RCH](#))

Richelieu Hardware stock has dropped 10.8% in 2018 as of early afternoon trading on August 29. The stock has been mostly flat year over year. Richelieu is a Montreal-based company that is involved in manufacturing, importing, and distributing specialty hardware and complementary products.

Richelieu released its second-quarter results back on July 5. Sales rose 8.3% year over year to \$263.4 million and had climbed 10.5% compared to the first six months of 2017. Its EBITDA increased 5.4% from the prior year to \$28.1 million. Richelieu posted solid sales growth in its Canadian and U.S. markets, which reported sales growth of 10.1% and 9.7%, respectively.

The board of directors also approved a quarterly dividend of \$0.06 per share, representing a modest 0.7% dividend yield.

Canadian Tire ([TSX:CTC.A](#))

Canadian Tire boasts one of the largest retail networks in Canada. It sells a broad array of products including sporting equipment, home goods, automotive parts and accessories, and others. Shares

have dropped 6.7% over the past month after a disappointing second-quarter earnings release.

Canadian Tire released its Q2 2018 report on August 9. Its retail gross margin rate remained mostly static year over year, excluding petroleum sales, which received a boost due to higher gas prices. However, its Financial Services segment picked up the slack and reported receivable growth of 10.4%, as Canadian Tire achieved two million active credit card accounts. The company also declared a quarterly dividend of \$0.90 per share, representing a 2% dividend yield.

Hardwoods Distribution (TSX:HDI)

Hardwoods Distribution is a Langley-based company that operates distribution centres in Canada and the United States. It is engaged in the wholesale distribution of hardwood lumber and related sheet good and specialty products. Shares have plunged 15.8% in 2018 so far.

Hardwoods released its second-quarter results on August 8. Consolidated sales climbed 7.4% year over year to \$298.2 million with sales from U.S. operations reporting 12.4% growth. Adjusted profit rose 8.8% from the prior year to \$10.6 million. The board of directors also approved a 10% dividend increase to \$0.08 per share. This represents a 1.7% dividend yield.

CATEGORY

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:RCH (Richelieu Hardware Ltd.)

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