3-Best Performing Canadian Retail Trade Stocks So Far in 2018

Description

One of the unloved Canadian economic sectors, retail trade, has surprisingly produced some of the best stock investment returns on selected offerings so far this year, just as the bears prophesy the imminent death of retail as the millennials demographic group is showing a growing preference for online retail purchases over physical grocery shopping, especially south of the boarder.

Even though emerging online retail giants like **Amazon** and **Shopify Inc**. do pose a significant threat to the traditional brick and mortar store model in the longer term, not all retail is going under. In fact, some retailers are posting impressive growth numbers and rewarding their loyal investors with some lucrative investment returns.

Here are three of the best-performing retail trade stocks in Canada this year, as of December 06, 2018.

Metro Inc.

One of Canada's largest grocery and drugstore retailers, **Metro Inc.** (TSX:MRU) has reported impressive financial results so far in 2018. Their most recent quarterly financial results instalment on November 21 boosted investor confidence in the retailer, making its equity one of the best buys for 2018.

An investment in Metro common shares has so far returned 14.09% in price returns and 16.14% on a total return basis, which includes a recently increased quarterly dividend, making the stock the third best performing Canadian listed equity investment so far in 2018.

Continued same store sales growth, increased revenue and synergistic benefits after the consolidation of the recently acquired Jean Coutu Group (PJC) Inc. and improving adjusted net income growth supported better valuation for Metro shares, even in the face of increasing competition from online retail.

Aritzia Inc.

Aritzia Inc. (TSX:ATZ) is a fast-growing designer of exclusive fashion brands that is generating double-digit revenue growth across its ever increasing network of 90 retail stores, including three vibrant ecommerce sites.

The company's shares have delivered 42% in price gains so far this year as management continues to report impressive growth numbers quarter over quarter. The latest quarterly financials came in on October 04 and showed a net revenue growth of 18% over the same period last year, with comparable same store sales growth of 11.5%, marking the 16th consecutive quarter of positive comparable sales growth.

Management expects mid-teens double-digit growth to continue into the next year as the company opens new stores and realizes record sales expansion in the United States, where revenue grew 40%

year on year recently. Aritzia's international ecommerce platform now ships product to over 220 countries and this wide global reach could help sustain long-term growth.

Profitability in the retailer's business in ever improving with adjusted EBITDA coming in 59.6% higher and adjusted net income increasing 76.3% in the most recent quarterly results instalment. The company does not pay a dividend yet, but the capital gains potential on its equity units could be adequate for growing one's nest egg.

Mene Inc.

The best-performing Canadian retail investment, **Mene Inc.** (TSXV:MENE) is the youngest of them all and probably unheard of among most retail investors, as it's not the typical retail stock. Mene shares were listed on the **TSX Venture Exchange** in November this year and have delivered a year-to-date price return of 194% as of December 06.

The company is a designer and retailer of jewelry made from 24 karat (100%) gold or platinum. No diamonds or any other materials are added to its jewelry and its offers customers a guarantee to repurchase the precious items at the prevailing gold or platinum market prices (less a handling charge of course), thus giving a potential store of value proposal to buyers, more like an opportunity to invest in precious metals.

Mene sells its items online and sees itself as the Amazon of the jewelry market. The young retailer debuted sales in January this year, and had increased its quarterly revenue run-rate from $1.5 million in the first quarter to $2.5 million quarterly as of September this year.

Although the company produced the best retail trade equity returns so far this year, I wouldn't recommend its shares as a buy today.

The share price is highly volatile due to a significantly low trading volume and limited public float. The company is closely held with the founder and his friend retaining total voting control. The limited float availability could have largely driven the equity price, much like what happened with **Tilray Inc**. shares. The release from lockup of the major corporate investor's shares could spell disaster on the share price and there could thus be negative investor returns in 2019.

Interestingly, **Canada Goose Holdings**, is yet to be classified a pure retail trade stock in NAICS.

CATEGORY

1. Investing

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2. TSX:MRU (Metro Inc.)

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