



Attention Investors: Certain Retail Stocks Now Showing Real Value

Description

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

Bucking the trend in [retail stocks](#) recently, Canadian Tire reported a third quarter that came in above expectations.

The stock has outperformed retail stocks, and although it is down 12% year-to-date, this is a much better performance than the industry, and the stock offers a healthy and growing dividend yield of 2.82%.

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

It offers a diversification that is unmatched by Canadian retailers, and will therefore be less affected by a downturn in consumer spending.

After a disappointing first half of 2018, recently reported third-quarter results are testament to the company and its brand, with better-than-expected results and a dividend raise pleasing investors and demonstrating the stock's value proposition.

Drilling down deeper, beyond simple sales growth numbers, we see a very positive trend in returns and real value creation.

According to Canadian Tire, return on invested capital was 8.9%, a level that has been increasing nicely from 2014 levels of below 8%.

Indigo Books and Music Inc. ([TSX:IDG](#))

Like Canadian Tire, Indigo also offers a more diversified business than many Canadian retailers, and while the stock is down 37% year-to-date, I see a bright future.

Because the goal is to position Indigo as the department store of the future, with a focus on the

experience to drive shoppers into the store, and given the shake-up in the Canadian retail industry, we can see that there is demand for something different.

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

The retailer's U.S. expansion is moving forward, with the first U.S. store open in New Jersey.

This presents a big risk but also big potential return, and given that the company is moving slowly with this expansion, the hope is that the risk is minimized.

Recent results show a decline in revenue as a result of store closings and renovations, but excluding this, sales increased marginally in the quarter.

Aritzia Inc. ([TSX:ATZ](#)) stock has been an outperformer and is 11.5% higher than its 2016 IPO price of \$16.00, and 28% higher year-to-date, as the stock continues its volatile ride.

The company achieved same-store sales growth of 10.9% in the latest quarter, the first quarter of fiscal 2019, with a 22.2% increase in net income, as the retailer opened two new stores and expanded two existing stores.

Results continue to look good, but apparel retailers are notoriously risky and vulnerable to shifts in the latest fads as well as competition, and trading at a mid-20's P/E multiple, this stock is not one I would buy right now.

Also, the [macro environment](#) makes me leery of premium, luxury retailers, so I would stay away from this one.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:IDG (Indigo Books & Music)

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Date

2025/07/02

Date Created

2018/12/07

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