Don’t Miss Out on These 2 Top Retail Stocks

Description

Retail stocks have had a tough time the last few years. It’s non-debatable the effect that online shopping has had on consumer behaviour, and as it continues to grow and become more popular, it will increasingly threaten the survival of some retail companies.

Other companies have thrived in this environment; they have sliced out a piece of the market for themselves and have integrated their own ecommerce.

In addition, the ability for some companies to have successful e-commerce websites allows them to capture market share from competitors, where it might not have been possible before.

Two of the top retail stocks in Canada that will continue to grow and dominate their respective markets are **Canadian Tire** (TSX:CTC.A) and **Aritzia** (TSX:ATZ).

Canadian Tire

Canadian Tire is one of the best companies to own in Canada. It has a rich history and always manages to draw a ton of customer loyalty. The company has done a fantastic job to insulate itself from the push to online.

A lot of the goods Canadian Tire sells are not as exposed to online shopping; however, the company has been spending a lot of effort on building its e-commerce business.

It’s been diversifying its brands the last few years, now owning brands such as Sport Chek, Mark’s Work Wearhouse, and Helly Hansen.

Most recently, Canadian Tire agreed to buy Party City, the leading party supply store in Canada. Canadian Tire plans to merge a lot of the products between itself and Party City as well as offer them online.

It’s the perfect stock for long-term investors, as it will continue to operate well, and it will continue to grow its business and dividend. In the second quarter, diluted earnings per share came in at $2.87 — an incredible 20% increase from the second quarter the year prior.

Furthermore, in the last five years, Canadian Tire has raised the dividend more than 100%. The dividend currently yields around 3% and the P/E is below 13 times, offering investors a prime opportunity to buy shares.

Aritzia

Aritzia is a great stock because it has dominated in its market since its debut. Aritzia is vertically integrated and always manages to do a perfect job offering consumers exactly what they are asking for, which keeps them coming back.

The company has never had to close down a single store in its 35-year history and has had impressive same-store sales growth (SSSG). For fiscal 2019, the company's SSSG came in at 9.8%.

Going forward, Aritzia has huge potential for growth in the United States. Currently, only 25 of its 92 stores are located there, but it plans on opening around five new stores each year.

Since 2008, the number of stores that Aritzia is operating has grown at a compounded annual growth rate (CAGR) of 11%, and the total company revenue has grown at a CAGR of 17%.

What's even more impressive is its three-year CAGR of adjusted earnings before interest, taxes, depreciation, and amortization is 23.8%, and its CAGR of adjusted net income is 32.9%.

These numbers are highly rare to find in a retail company and highlight just how successful Aritzia has been.

The P/E ratio is sitting just under 23 times at the moment, but for a growth stock with Aritzia's momentum, this is a pretty reasonable valuation.

Bottom line

If you are looking for a retail stock to own, these two are your top bets. Aritzia is more of a growth company, whereas Canadian Tire is more of a long-term core holding in your portfolio that will continue to grow the dividend over time.

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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