



3 High-Risk, High-Reward Retail Stocks to Buy in December

Description

In the retail space, there has been a big divergence between those companies that have been successful the last few years, as consumers have embraced online shopping, and those that have lagged behind. The market is aware of the risks that lie with large retailers that have a lot of real estate and compete with companies that have the majority of their operations online.

Although you can still find some high-quality retail stocks that are growing and capturing more market share, investing in the retail space comes with significantly more risk than usual, as one bad quarter can get the stock heavily punished by the market.

Three of these [high-risk, high-reward](#) retail stocks are **Canadian Tire** ([TSX:CTC.A](#)), **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)), and **Aritzia** ([TSX:ATZ](#)).

Canadian Tire

Canadian Tire has been excelling in the last decade; its stock is up roughly 185% in that period, as Canadian Tire continues to grow its operations.

When the rout of retail stocks began, as online shopping became more popular, naturally, investors realized that Canadian Tire was slightly immune due to the nature of the goods it sells. Still though, Canadian Tire had to be on its game and not become complacent in order to thrive in this new environment.

So far, so good, and the company has built itself a strong competitive advantage, adding ancillary businesses to its portfolio.

Its financial arm has been key as well and helped the company to derive income from interest and banking services to give it diversification from just the retail sector.

Although recently its financial arm has caused some investors to sound the alarm on some potential risk, up until now, things have been smooth sailing for Canadian Tire.

As long as it can continue to manage its financial portfolio, keep its online store strong, and not fall behind the competition, it should remain a great stock to hold for the long term.

Canada Goose

Canada Goose is a perfect example of the risk that lies within the retail sector. It's been growing like crazy over the last few years, but it had some trouble earlier this year, when it reported its fiscal 2019 fourth-quarter earnings in May.

The numbers came in lower than expected, and the stock was punished heavily, being sold off more than 30% at the time, and with the share price still not fully recovering.

Canada Goose is a tricky one to decide whether it's investable. The company is strong and still has ample room to grow, but any numbers that come in below expectations and are not up to par result in the stock being punished further.

Its valuation shows investors expect a lot from it, with a price-to-earnings ratio at roughly 40 times and a price to cash flow of more than 30 times.

The popularity of its products will undoubtedly help it to grow. The only question is whether it can grow fast enough to please the market.

Aritzia

I have mentioned more than once how Aritzia is such an impressive stock, and the growth it has accomplished over its short history is nothing short of incredible.

What's most impressive about the company is the fact that it has never needed to shut one of its boutiques down due to underperformance of the store. In fact, when the company invests money to open a new store, usually roughly \$2 million, it expects to make that back within 18-24 months.

It's no wonder why the return on equity has been north of 20% the last two years and is on track to have another solid year in 2019.

It has stores in Canada and the United States; however, currently the U.S. is underserved, so Aritzia has focused on expanding there. Aritzia thinks this is a sure-fire way of bringing more growth to its business.

Bottom line

With all these stocks, the risks are the same. If the company looks like it may have issues or reports a quarter where growth is not up to snuff, the stock will be punished, so keep this in mind when making any investment in the retail sector, especially in the high-growth companies.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
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