2 TSX Retail Stocks That Will Never Go Away

Description

One of the most significant consequences of the coronavirus pandemic is the impact it's had on **TSX** retail stocks. Retail companies have been decimated during the shutdowns, and many companies have been scrambling to move their sales online.

Some of the best-positioned stocks have been those with adequate liquidity and a robust e-commerce platform capable of handling the increased demand.

The companies that lack these simple qualities have had a rough time. And this has already led to a string of bankruptcies only a few months into the pandemic.

Over the next while, I would expect that retailers of discretionary items will continue to face significant headwinds. And those TSX retail stocks that aren't well positioned will remain at risk of going bankrupt.

Despite these major risks for several companies in the sector, not every business is in the same boat. There are some super-high-quality businesses that will be able to weather this storm and emerge stronger.

The two retail stocks that aren't going anywhere anytime soon are **Dollarama** (TSX:DOL) and **Canadian Tire** (TSX:CTC.A).

High-growth TSX stock

Dollarama has been one of the best TSX growth stocks over the last decade, and I expect that to continue.

Buying discounted or inferior goods has become a growing trend for consumers, as they try to save money on essentials and keep more for discretionary spending.

These types of habits naturally increase during periods of slower economic activity or recessions. However, as we've seen from the last financial crisis, even after the economies recovered, several consumers continue to look for the cheapest goods.

Dollarama has thrived in this environment. It has executed an excellent growth strategy, improving its store count and optimizing its merchandising to grow sales.

It continues to grow in Canada; however, it's also now shifted its focus internationally. Dollarama owns a majority stake in Dollar City, a rapidly growing dollar store chain in Latin America.

And despite coronavirus potentially impacting it in the short run, in my view, this will be a bigger long-term tailwind, as it likely sends the economy into recession, increasing the demand for cheap, inferior goods.

As of Wednesday's close, Dollarama was trading below $45 — a roughly 15% discount from its 52-week high. I'd use this opportunity to take advantage, as the top TSX growth stock has considerable room to grow from here.

Highly diversified TSX retail stock

Canadian Tire is one of the biggest and best-known brands in Canada. In addition to its flagship brand, the company also has a strong portfolio of companies it's acquired through acquisition.

This helps Canadian Tire build a massive diversified network of the best retail brands in Canada. And with its highly popular loyalty program and massive financial arm, Canadian Tire is one of the most intriguing stocks on the TSX.

Furthermore, not only does it have a strong position in its industry with its popular brands, but the company also has one of the leading e-commerce platforms, capable of handling increased online volumes.

This has and will continue to be key for Canadian Tire's survival both during coronavirus, but even after, as the e-commerce trend continues to evolve.

Compared to Dollarama, investors have been more cautious with a name like Canadian Tire for two reasons.

Firstly, the majority of the products it and its other banners sell are not staples. Secondly, there has been some worry about the strength of its financial services segments.

Canadian Tire has proven, though, over the years, what a high-quality business it is. It's also shown how well it can weather periods of lower economic conditions.

Plus, as of Wednesday's close, the stock had more than a 25% discount form its 52-week high. And when you consider its nearly 4% dividend, there is significant value in this TSX retail stock.

Bottom line

Dollarama and Canadian Tire are two of the top stocks on the TSX, let alone the retail industry. Each has its own strengths and attributes, but the main takeaway is that these high-quality companies aren't going anywhere.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:DOL (Dollarama Inc.)

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