# Too Cheap to Miss: 2 TSX Stocks I'd Buy Now

### Description

Retail stocks listed on the **TSX** may be heading for a rebound later this year. North American jurisdictions are slowly relaxing their COVID-19 restrictions and consumer are eager to get out and shop again. I don't blame them. As much as I love the convenience of shopping online, there is something nice about getting out, being around people, and milling through stores again.



I guess I'm not the only one. It has been reported that retail sales for May demonstrated a 17% pop up following a 16% decline in April. For the most part, this was not just a case of pent-up demand. Rather, consumers appear to be spending with more confidence in their economic circumstances.

Given that society may be returning to more normal spending habits, I wanted to take a look at two relatively cheap TSX retail stocks that could still produce some nice investor returns this year.

## Clothing retailer

The first TSX retail stock that looks interesting is **Aritzia** (TSX:ATZ). It is a high-end women's fashion retailer with over 90 store locations across North America.

In 2019, it saw year-over-year net revenue growth of 12.2% and comparable sales grow 7.6%. The company saw very strong revenue growth from its U.S. expansion. Also, interestingly, 23% of overall sales were derived from e-commerce. While its next quarter will likely be abysmal (due to store closures across its portfolio), I still like the story.

First, in a normal cycle it produces strong free cash flow. Last year it produced $117 million of free cash flow. As a consequence, it is sitting on a net cash position of $102 million. This should provide some wiggle room amidst the pandemic-related operational uncertainty.

Second, Aritzia has been expanding its e-commerce and omni-channel sales platform. Since the start of the pandemic, Aritzia's e-commerce platform saw  revenues increase 150% over last year. Going forward this will continue to be a major sales growth avenue.

## This TSX stock has a solid growth record

Finally, Aritzia has operated exceptionally well in the past. Net revenue, adjusted EBITDA, and adjusted net income have a four year CAGR of 16%, 19.4%, and 24.8%, respectively.

While this year will be certainly be muted, Aritzia has many years of future expansion in the U.S. and internationally. That is why today's depressed price makes it a very interesting long-term buy.

## The everything else retailer

Another TSX stock with some decent upside is **Canadian Tire** (TSX:CTC.A). It really stands to benefit from the return of the consumer and, especially, the return of summer.

First, Canadians will be spending their summer closer to home this year. This means renovation projects, gardening, camping, and trips to the lake. Canadian Tire sells products that apply to all of these activities, and more.

COVID-19 restrictions are being relaxed and shopping centres are re-opening. There will likely be some pent-up sales demand across all its divisions.



Second, Canadian Tire has been investing heavily in its e-commerce sales platform. Overall e-commerce sales grew in the first quarter by 44%, with 88% sales growth in its Canadian Tire retail segment. I think this just further keeps Canadian Tire relevant and a first choice for Canadian consumers.

## This TSX retail stock has a steady upward future

While Canadian Tire's stock has rebounded significantly, it is still a decent buy today. It pays a 3.73% dividend and only trades at a price-to-earnings of 10.8 times.

While Aritzia has more long-term upside, Canadian Tire still should grow by a nice 3% to 5% per year and pay a nice, stable dividend.

While Canadian Tire is the more conservative stock, a 7% to 9% overall annual return isn't bad for this solid Canadian stock.

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**TICKERS GLOBAL**

1. TSX:ATZ (Aritzia Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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**Date**
2025/08/26
**Date Created**
2020/06/21
**Author**
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