2 Retail Stocks to Buy Now

Description

If you're wondering where the growth is in these difficult times, you're not alone. It's definitely not cash. So, where should you invest your hard-earned money at a time when many industries and companies are barely hanging on?

The key is to remain defensive. **Loblaw Companies** (TSX:L) and **Dollarama** (TSX:DOL) are two defensive retail stocks to buy that deal in "essential" goods. Both have thrived, even under lockdowns and both are set to remain relevant and profitable.

Loblaw stock: A defensive retail stock that provides the essentials

Loblaw stock is still beaming from its strong first-quarter result. A 10.8% rise in revenue was accompanied by a 30% increase in net income. As a member of the consumer staples sector selling essential goods, it is not surprising that Loblaw has been thriving. It is one of the businesses that we can be sure will survive this pandemic.

While the pandemic will mean increased costs for Loblaw, it will also mean strong demand for this stock. Today, Loblaw stock is trading 12% above March lows and at similar levels as in early 2020. This resiliency can be expected to continue as the year progresses.

Canada's largest food retailer and leading pharmacy outlet generated $1.1 billion in free cash flow in the first quarter. This financial strength is golden in times like these, and we should flock to these types of stocks. Things may get worse before they get better. We should focus on preservation of capital.

Dollarama stock: A defensive retail stock giving us more for less

Dollarama's business model is one which strives to sell everyday household products for less. It is a business model that has allowed the company to achieve exponential growth.

It all started with one small store in an obscure and quaint little town named Matane in Quebec. Today, Dollarama has 1,400 stores that are delivering the promise of low prices. This has been achieved in no small part because of its first-rate supply chain.

Today, Dollarama stock has proven to be just as resilient as the company's business model. The stock has recovered nicely from the crisis lows and is trading 31% higher from that point. It is back to early 2020 levels, which is quite remarkable given the environment we are in.

This defensive stock to buy is a smart addition to your portfolio, because it is defensive. It is also continuing its growth. The pandemic will actually bring Dollarama additional business, as consumers are increasingly looking for ways to save money. The pandemic will also present Dollarama with new real estate opportunities to pursue in its growth plans.

Real estate values are declining. A countless number of retail spaces will be vacated in the next while. Some of these vacated spots may be prime spots that Dollarama was hoping for. So, the company may soon have a shot at securing some new opportunities it hasn't had in the past. Dollarama also might be able to renew leases on more favourable terms.

All of this should enable Dollarama stock to continue to rise, or to at least hold firm, preserving your capital.

Foolish bottom line

The major theme with these two retail stocks is that they are defensive stocks that will benefit from their essential goods offerings. They are financially sound and resilient in this difficult environment. These two retail stocks to buy will see your portfolio through the difficult times.

CATEGORY

1. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:L (Loblaw Companies Limited)

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