3 TSX Retail Stocks Trading at 52-Week Highs

Description

Retail has been an interesting industry in the last few years. Many savvy investors have gotten great deals, as retail stocks have generally traded undervalue.

The lack of investor interest has stemmed from concerns for years about the growth of e-commerce. Some companies have proven they can weather the storm. Whether that's through their own e-commerce channels or because they sell goods that can't easily be bought online. The coronavirus pandemic was the ultimate test for retail, however.

So for these three **TSX** stocks to be just off their 52-week highs, they have clearly handled the coronavirus pandemic well.

Dollarama: A top retail growth stocks

Dollarama Inc (TSX:DOL) has been a top performer for more than a decade. In the last 10 years, the stock has grown more than 1000%, or more than 27.7% compounded annually. And as attractive as it's been in the past, Dollarama is a company that thrives on recessions.

The store is extremely attractive when discretionary incomes are shrinking. And as we've seen repeatedly, aggregate incomes don't ever shrink as much as they do when the economy is in recession.

Dollarama has done a brilliant job over the years, growing its business consistently. First, usually during recessions, attracting consumers looking to buy inferior goods that are essential.

By looking to save money on items consumers need, Dollarama disrupts regular shopping habits. Its superior merchandising continues to increase its sales as consumers naturally buy more each visit.

Finally, regular price increases and the addition of new stores have also played a big role. But the satisfaction of saving money buying the things they need leads consumers to continue to come back, even when the economy emerges from a recession.

If there were ever a time to buy Dollarama before another growth spurt, this would be it.

Alimentation Couche-Tard: A global growth stock

Alimentation Couche-Tard Inc (TSX:ATD.B) is another high-quality TSX stock that's been growing for years. The stock has a very similar past performance to Dollarama, up more than 1000% over the last 10 years, a compounded annual rate of 27.5%.

Unlike Dollarama, the stock doesn't necessarily get a boost when the economy is in recession. However, convenience stores and gas stations generally don't see a big fall in sales proportionate to aggregate income levels.

Wha makes Couche-Tard attractive is that it's proven it can withstand economic environments better than even most of its competitors. And with a tonne of liquidity, Couche-Tard has the ability to look for some high-value acquisitions.

This is what makes the stock so attractive today, especially since it's repeatedly shown how well it can grow by acquisition. The company continues to impress, which is why it's not surprising that it continues to trade just off its all-time high.

Canadian Tire: A top diversified retail stock

Canadian Tire Corporation Ltd (TSX:CTC.A) may not have the same past growth record as Couche-Tard or Dollarama, but the stock is a great value investment in the retail sector.

Plus, Canadian Tire has proved throughout the pandemic just how well it can handle adverse economic conditions. Its stores have all remained resilient due to the high-quality merchandising Canadian Tire is known for in addition to the diversification each retail banner offers.

Plus, many goods that Canadian Tire sells, such as sporting goods or outdoor furniture, have seen a massive increase in demand through the pandemic, which always helps.

One other factor playing a big role is Canadian Tire's impressive e-commerce channel. This is crucial for the company, not just to increase sales but also to retain customers who may have otherwise looked for different e-commerce options.

Trading at just a 12.5 times forward price to earnings ratio, the stock is relatively cheap. Plus, it's a reliable company you can count on through these uncertain times.

Bottom line

There will always be industries such as retail that investors generally want to be wary of. However, that doesn't mean savvy investors can't find high-quality investments in these industries.

As long as you do your homework and know the risks, no industry should be off-limits. And often, these most neglected industries can offer investors some incredible opportunities.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/07
Date Created
2020/10/21
Author
danieldacosta