Forget Meme Stocks: Focus on High-Quality Retailers Today

Description

The buzz created by meme stocks in 2021 came as a surprise to many investors. The jaw-dropping price movements across beaten-up sectors certainly made many individuals rich. Accordingly, retail stocks have been more in demand lately, as the Reddit trading frenzy appears to be picking up steam again.

Indeed, with the vaccine rollout gathering pace in Canada, things are looking up for retail stocks. The idea that these companies could once again take off is interesting to many investors. However, quality is everything.

In this regard, I think investors ought to consider high-quality retailers like **Canadian Tire** (TSX:CTC.A) right now. Here's why.

Earnings have been excellent

For retailers coming out of this pandemic, earnings will be everything. Investors will want to see the kind of growth they're pricing into these stocks materialize.

On this point, Canadian Tire has proven itself as a winner.

As per the company's most recent earnings report, Canadian Tire reported much-improved year-over-year numbers. Canadian Tire reported a profit compared to a loss a year earlier. Net income attributable to shareholders came in at approximately $152 million. This marks a significant improvement, considering this company made a loss of roughly $13.3 million during the same period last year.

Furthermore, Canadian Tire recorded a 10% surge in revenue, which stands at $3.32 billion for Q1 2021 compared to $2.85 billion last year. While there has been a 10% growth in retail sales at its Canadian Tire banner, SportCheck recorded a 10% increase in sales. Moreover, retail sales at Mark's represented almost a 14% growth. Indeed, there appears to be a tonne of upside for this stock as we inch closer towards economic reopening.

Accelerated e-commerce growth is bullish for Canadian Tire

One of the key reasons the company's recent earnings numbers were as good as they were can be tied to Canadian Tire's burgeoning e-commerce sales.

Indeed, similar to most retailers around the world, Canadian Tire faced the wrath of the pandemic. Its operations were severely impacted owing to the government-imposed lockdowns and store closures. However, its e-commerce division delivered outstanding results in the fourth quarter due to its easy accessibility and focus on consumer convenience.

Indeed, the company's e-commerce sales were up by a staggering 142%, highlighting a strong omnichannel marketing strategy. Penetration rates doubled in comparison to figures recorded during 2019. Furthermore, digital visits across the company's retail banners increased to 230 million, which represents an increase of nearly 50%.

Additionally, more than 600,000 new customers became a part of the latter's Triangle program, contributing roughly $168 million in terms of sales. Consolidated retail sales of Canadian Tire jumped to roughly $985 million, which marks a 6.2% year-over-year growth.

For investors focusing on the numbers, Canadian Tire is one heck of a stock. I don't see that changing anytime soon.

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