



Betting on a Parabolic Move in Retail? Consider This Top TSX Retail Stock

Description

In this hyped-up [growth market](#), retail stocks have actually performed incredibly well. Backed by strong sentiment around the economic reopening thesis, various retailers have seen their valuations soar. Speculators have stepped into various top U.S. and Canadian meme stocks. Among the retail stocks that has flown way under the radar is **Roots** ([TSX:ROOT](#)).

Indeed, by all metrics, this company is a micro-cap player in the North American retail landscape. Roots has a strong niche brand in Canada but a relatively muted presence elsewhere. Accordingly, this is one of the highest-risk, highest-reward plays in the Canadian retail space for investors to look at.

That said, it's a speculator's market today. Let's take a look at whether Roots could see a parabolic surge like other retailers have anytime soon.

Roots: A retail stock that's recovering rapidly

On the plus side, Roots has seen an [impressive recovery](#) since last year, boosted by higher consumer spending at its stores. Accordingly, there may be an angle for some investors to suggest this stock could have some outperformance potential on the horizon.

Roots is still losing money, posting a loss of \$1.2 million this past quarter. That said, this loss was roughly two-thirds the size of Q2 2021, at \$1.8 million. That's an improvement.

Revenue growth is responsible for most of this improvement. The company saw smaller gains than expected but managed to curtail costs and ride out continued closures, particularly in Ontario, throughout the second quarter.

As we move forward, expectations are that in a fully reopened economy, Roots may be able to get into the black. That would be great for shareholders and would provide a big boost to this beaten-up stock. Courtesy easing of mobility restrictions, Roots was able to gradually reopen all but one of its 68 corporate retail stores and five pop-up locations gradually. As these stores fully reopen, I think more upside potential exists.

Strengthening its roots in Canada

An iconic Canadian retailer, Roots has been making strides to rectify its operational loopholes and boost its margins. As part of the company's plan, opening a new distribution centre to focus on growing the company's e-commerce business has been a priority.

However, maintaining the company's enviable customer loyalty, particularly within Canada, is difficult to do without retail stores. The company's rallying stock price suggests this brand loyalty remains strong enough to boost Roots out of the cellar and towards its former glory. Only time will tell.

That said, I think Roots's brand is the key catalyst investors need to rely on when considering this stock. Investors in ROOT stock are making a bet this brand will stay relevant as we come out of the pandemic. That's not necessarily a sure bet.

Bottom line

Roots is a company with a lot of hair right now. Indeed, the retail sector as a whole has been hammered hard. Whether Roots can recover completely and turn its business into a profit-making machine remains to be seen.

However, those looking to speculate sure have an intriguing retail stock to look at in Roots. This is a small Canadian spec play with a lot of upside trading at an attractive level. Enough said.

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Date

2025/07/19

Date Created

2021/09/24

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