



1 Top Canadian Pandemic Reopening Play to Buy Right Now

Description

Investors looking for a top pandemic reopening play certainly have a number of fantastic options to choose from. The economic growth that may come in the months to come could be impressive.

For retailers such as **Roots** ([TSX:ROOT](#)), this growth could translate into impressive near-term performance. Accordingly, investors have a reason to consider this micro-cap player in the North American retail space as a highly leveraged play on this economic recovery.

Here's why I think now is the time to be bullish on Roots.

Analysts generally positive but cautious

Indeed, the pervasive view on Roots is one of cautious optimism, at least among analysts. I tend to share this view.

Following Roots's in-line Q2 financial results, ROOT stock got a mixed review from analysts. The consensus was that sales growth through the second half of this year is likely to remain robust. That's great and in line with what many optimists expect.

However, warnings of supply chains disruptions represent an ongoing risk. While Roots's management team has noted that all locations have reopened except for one, material margin pressures tied to rising labour costs and rent abatements subsiding are key focal points for investors and analysts in the quarters to come.

I think Roots has the ability to more than offset these costs with rising sales numbers. However, these factors are important to consider.

Thus, the ability of Roots to outperform in the quarters to come really depends on how bullish investors are with respect to this economic recovery. Should consumers show up in force to load up on this iconic Canadian brand before Christmas, these next two quarters could be among the best in terms of growth for Roots in some time.

However, should consumers look to other brands or slow their spending for any reason, Roots could be in for a couple rough quarters.

It appears consensus remains slightly tilted to the positive end of the spectrum right now. That's where I'm at. However, these two upcoming quarters will be important ones for investors in Roots to watch.

Bottom line

I think there's a tremendous amount of room for Roots stock to run in a perfect scenario. This is about as highly leveraged a retail stock as investors can get. Those bullish on frenzied retail investor interest in retail stocks may want to consider Roots at this level.

That said, I think this stock is reserved for investors with aggressive risk-tolerance levels. That's because there's elevated risk with this stock. Margin pressures and the potential for supply chain disruptions are real.

Accordingly, this is a high-risk, high-reward play that investors looking for a big win may want to consider.

CATEGORY

1. Investing

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