2 Cheap Retail Stocks to Buy Before 2021 Ends

Description

Most retail stocks have seen a sharp rally in 2021 amid improving the business environment and easing COVID-19 related restrictions. While this rally has made many retail stocks look expensive, some retail stocks still look cheap based on their long-term growth prospects. It could be the right time to add such cheap retail stocks to your portfolio before the ongoing holiday shopping season takes them even higher.

In this article, I'll highlight two fundamentally strong Canadian retail stocks that I find cheap despite their solid year-to-date gains.

Aritzia stock

Aritzia (TSX:ATZ) is a popular Canadian design house and apparel retailer based in Vancouver. It has a market cap of $5.7 billion at the moment, as its stock traded at $40.45 per share with about 96% year-to-date gains. Looking at its strong year-to-date rally, you may call its stock expensive at first. But if you carefully analyze Aritzia's recent business growth trends, you won't find it expensive — especially for the long term.

In the August quarter, the Canadian retail company posted $0.39 per share in adjusted earnings — crushing Street analysts' estimates by about 84%. Aritzia's total revenue rose by 75% year over year to $350 million during the quarter. To add optimism, its adjusted EBITDA margin stood at 20.8% — significantly higher compared to 16.6% in the previous quarter. The ongoing strength in its boutique, as well as online sales, helped the company post solid revenue, earnings, and margin growth in the last quarter.

After witnessing strong sales momentum this year in its home market, Aritzia has recently increased its efforts to expand its business presence in the United States. Its new boutiques in the U.S. are receiving outstanding client response, which is likely to encourage the company to speed up its plan to expand in new geographies.

Overall, Aritzia's consistently growing footprints in the U.S. market, surging sales, and expanding profit margin make this cheap stock worth adding to your long-term stock portfolio now.

George Weston stock

George Weston (TSX:WN) could be another great retail stock to buy this month. This Canadian retailer currently has a market cap of about $22 billion. The COVID-19-related headwinds drove its stock lower by 8% in 2020. On the positive side, WN stock has risen by about 55% in 2021 as its financial growth continues to improve.

Notably, George Weston has beat analysts' earnings estimates in four out of the last five quarters. Apart from its steadily growing retail business, George Weston is also focusing on expanding its Choice Properties real estate business. In the September quarter, Choice Properties's contractual rent-collection rate jumped to 99%, as its operations continued to strengthen.

Loblaw Companies, which makes up more than 95% of its total revenue, saw strong in-store and online demand in recent quarters. This strong demand could be one of the reasons why analysts expect George Weston's 2021 earnings to rise by 27% to around $8.68 per share — higher than its pre-pandemic levels.

Apart from its strong long-term financial growth prospects, its decent dividend yield of nearly 1.6% makes George Weston stock worth buying now.

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