2 Cheap Retail Stocks to Buy Now

Description

The holiday season sale and the cold weather could be drivers for near-term outperformance in these cheap retail stocks.

A top Canadian retailer to buy

Canadian Tire (TSX:CTC.A) is an iconic Canadian retailer with a number of brands under its umbrella. Its brands include Canadian Tire, Mark's, Party City, SportChek, Hockey Experts, Sports Experts, and Atmosphere. Its e-commerce sales are also doing well.

The retailer stock has enjoyed highly stable earnings throughout the last two decades, through two recessions and a pandemic. It is a Canadian Dividend Aristocrat with a dividend-growth streak of 10 years. Last month, it just increased its dividend by 10.6%. Its three-year dividend-growth rate is 7.8%, while its five-year dividend-growth rate is 14.9%.

At $180 and change per share, the quality retailer offers a decent yield of 2.9% on a sustainable payout ratio of roughly 30%. Currently, the analyst consensus price target suggests an upside potential of about 25% over the next 12 months.

A retailer growth stock

Canada Goose (TSX:GOOS)(NYSE:GOOS) looks like a buying opportunity after correcting about 27% from its high in November. It's trading at levels similar to when the following analyst commented on the luxury apparel growth stock. At writing, GOOS stock trades at $47.52 per share.

Brian Madden commented about the growth stock on *BNN* back in August on a day when the stock was battered down by about 13% after releasing its earnings results. At the time, GOOS traded at $48 and change per share.

> “The [earnings] results look good to us. This is seasonally the low point in their calendar cycle. They sell mostly winter parkas. So their excelling period is calendar Q3 and Q4. This is always a loss-making quarter. It was again this year. It lost $0.45 [per share], but importantly that was a smaller loss than the analyst community had been forecasting.
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> The big driver for this stock is sales and sales growth because it is a growth stock. The sales were better than expected. So, it ticks both of those boxes in our view. I think what investors are quibbling about is there were some degradation of gross margin compared to what the Street was forecasting.
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> …Sometimes stocks are priced for beating expectations on every metric and they didn’t on gross margin. But the bigger picture is what’s the bottom line — a smaller than expected loss. We’re pretty comfortable with the quarter and the outlook. They reiterated their fiscal year gross margin outlook for this year. So, they’re going to recoup it in the later quarters.
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> The longer-term secular growth story remains intact. The brand is strong. Overseas sales, particularly in China, are gangbusters. We don’t think the valuation is unduly demanding compared to some of the luxury apparel companies out there. What we saw is this stock can get shaken out of weak hands from time to time. We saw the same thing happen in Q1 results back in May with the stock down 9%. It bottomed on that day and clawed its way back. This is a buying opportunity in our view.“
> *Brian Madden, senior vice president and portfolio manager, at Goodreid Investment Counsel*

Brian Madden was right about the seasonal strength of the company, as around the time Canada Goose released its fiscal Q2 results in November, the growth stock rallied 41% over three weeks to the $65-per-share level. Currently, the analyst consensus price target suggests an upside potential of 25% over the next 12 months.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:GOOS (Canada Goose)

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