



Top Retail Stocks to Buy Before the Holidays

Description

How diversified is your portfolio? Finding a good mix of investments from different segments of the market is a solid strategy that's often overlooked by both seasoned and [new investors](#). Adding one or more top retail stocks, particularly as we move toward the busy holiday season, could be a lucrative move.

Here's a look at a duo of top retail stocks that should be on every investor's radar.

Go shopping, but don't break the bank

Most pundits see the volatile economy we're in shifting toward a recession at some point in the future. So why then should prospective investors look at [retail stocks](#) right now?

When the market slows and budgets get squeezed, shoppers turn to bulk and value-priced items. And one of the best places to find that value is in dollar stores like **Dollarama** ([TSX:DOL](#)).

Dollarama is the largest dollar store operator in Canada. In addition to the over 1,400 stores spread across every province, the company has a growing presence in Latin America. The 377 stores in that market are located in El Salvador, Guatemala, Columbia, and Peru.

The appeal that shoppers find in Dollarama is simple. The company prices its products at fixed-price points up to \$4. Additionally, many of the lower-priced items are bundled under that same price point. This provides an additional sense of value to shoppers which is a key reason why dollar stores tend to perform well during times of market weakness and higher inflation.

To illustrate this, earlier this year, Dollarama raised its full-year same-store sales forecast. The increase was primarily attributed to strong demand by shoppers looking to offset high inflation, and it also reflected the end of pandemic-related closures.

That's a key reason why despite the overall market being down over 13%, Dollarama is up by an incredible 29%.

In the most recent quarter, Dollarama posted sales growth of 18.2%, which was inclusive of a 13.2% bump in comparable same-store sales. During that quarter, the company also posted diluted earnings per share of \$0.66. That represents a whopping 37.5% improvement over the prior year.

Keep in mind that those results do not include the expected holiday-sales bump.

Buy in-store or online. This retailer has both covered

It's hard to mention a list of top retail stocks to buy for the holidays and not mention **Canadian Tire Corporation** ([TSX:CTC.A](#)). Canadian Tire is one of the oldest and largest retailers in Canada.

The company has expanded outward from its namesake banner to include SportChek, Mark's, Party City, Helly Hansen, and several others. That expansion has been key to Canadian Tire's incredible growth, allowing it to branch out across multiple channels. This includes spinning out an impressive digital channel and updating its lucrative rewards system. By extension, the expansion also includes Canadian Tire's financial services business.

Additionally, Canadian Tire has found a unique way to integrate technology into parts of the sales process. Examples of this include using a driving simulator to try out tires in different weather conditions and running on a treadmill to help determine the best sneakers to purchase.

That's a unique accomplishment for a traditional retailer, and it's led to some stellar results. It's also something that other brick-and-mortar retailers still struggle with to this day.

Technological integration is not the only unique feature that Canadian Tire offers which most of its peers are well behind on. Canadian Tire provides investors with a juicy, well-covered quarterly dividend. That dividend now boasts a yield of 3.95%, making it one of the better-paying options on the market.

Adding to that, as of the time of this writing, Canadian Tire is down by 19% year-to-date. Finally, the P/E (price-to-earnings) ratio on the stock sits at just 8.29.

In other words, Canadian Tire is one of the top retail stocks on the market. The stock is heavily discounted and offers a juicy dividend as it enters a busy holiday season.

Top retail stocks heading into the holiday season

No stock is without risk, but in my opinion, Canadian Tire, like Dollarama are great long-term options. Both offer substantial appeal and growth potential. In short, one or both stocks should be part of any [well-diversified](#) portfolio.

CATEGORY

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2. TSX:DOL (Dollarama Inc.)

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