



## Canadian Tire Holding Its Own As Other Canadian Retailers Struggle

### Description

*By Cameron Conway*

I've written a lot lately ([here](#) and [here](#)) detailing how this hasn't been the best year for Canadian retailers. With continued pressure from **Wal-Mart**, **Costco**, and the emergence of **Target** Canada, it has been a bumpy year up north. But one company has managed to hold its own amidst the turmoil: **Canadian Tire** ([TSX:CTC-A](#)).

After two sluggish years of stock performance, during which it trailed the broader specialty retail category, Canadian Tire is up more than 40% year to date, absolutely thrashing the category average and the overall market.

A micro view of how it's achieved these results could be seen in the company's latest earnings release.

#### Third-quarter results

Canadian Tire's [third-quarter](#) revenues were up year over year. Profits increased 11% from the year-ago period (to \$145.5 million, or \$1.79 per diluted share). Best of all for investors, Canadian Tire raised its dividend to \$0.4375 per share each quarter beginning next year — a 25% raise.

There were marked improvements in all divisions. Canadian Tire retail sales increased 2.8% (not including a 3.1% increase in petroleum retail); sales at FGL Sports and Mark's grew by 4.2% and 4.7%, respectively.

On the sports side of the business Sportchek saw a jump in same-store sales of 9.1%. (Although somehow I still had to go to several stores to get a new goalie stick...)

For Canadian Tire Retail, the strongest performances came from the automotive, seasonal, and kitchen categories. On the automotive front, the increases came mainly from "light auto parts" (wipers, lights, and so forth) and mechanical labor. It seems that after five years as CEO, Stephen Wetmore's strategy to reconnect Canadian Tire to its roots is paying off.

Indeed, Wetmore and the Canadian Tire team have been busy this year.

- In the first quarter, the company announced a plan to spin off most of its real estate assets into a REIT, which was [recently completed](#).
- In August, it said it was [seeking a financial partner](#) for its credit card assets.
- Most importantly for long-term business performance, it's invested heavily in innovation and digital approaches to growing its business, "including the scheduled fall opening of a new cloud computing centre and 'app factory' in Winnipeg that will enhance back-end operations and 'turbo-charge' customers' interactions with Canadian Tire online", according to [this Canadian Business story](#).

### **One example: E-commerce**

It's hard to overstate the important of e-commerce for the long term. And while Canadian Tire's plan to roll out its new e-commerce site is a little behind the pack, it's better late than never.

With a successful pilot project of 10,000 products and 30 locations, Canadian Tire is ready to launch the full version of the site next year. This will allow customers to view and buy products online to then be shipped to their nearest store rather than their homes.

If that sounds familiar, it's because it resembles Chapters and Future Shops, which offer free shipping to stores (versus a shipping charge to deliver directly to your home), and Wal-Mart's plan that offers post office pickup. Canadian Tire believes this ship-to-the-store plan will resonate with customers because, as Wetmore told analysts during a conference call, "90% of Canadians are within 15 minutes of a Canadian Tire store".

### **The high season**

Canadian Tire's stock has been on a tear this year, and it's just now entering the high season for retailing (and it got started today with a Black Friday sale).

Retailing is as competitive as it's ever been, but Canadian Tire has been making all the right moves of late. We'll be watching to see if it can keep up this momentum in 2014.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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1. Investing

## **Date**

2025/09/10

## **Date Created**

2013/11/29

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