



3 Reasons to Buy Canadian Tire Corporation Ltd.

Description

Shares of **Canadian Tire Corporation Ltd.** ([TSX:CTC.A](#)) have been on a fantastic run—over the past three years, the company's stock price has roughly doubled.

Does that mean it's too late to buy this stock? Well, not necessarily. Below are three reasons to add Canadian Tire to your portfolio.

Insulated from oil

If you're like me, you don't want anything to do with the oil industry. The rout in prices has devastated many energy producers, and the news could easily get worse. Iran may sign a nuclear deal before too long, which would allow the country to export more oil, and storage capacity is running out in the United States.

Unfortunately, these issues have a lot of spillover effects (no pun intended). Just look at Canada's latest GDP numbers, which showed that our economy shrank by 0.1% in January. So, all companies on the TSX seem to be at risk.

Canadian Tire is an exception. It is generally considered a low-cost chain, so consumers may be drawn to the stores when times are tough. Better yet, low oil prices may encourage more driving, which equals more maintenance work at Canadian Tire stores. Finally, if the economy really suffers, people may be encouraged to repair their old cars at Canadian Tire rather than buy new ones.

The right kind of growth opportunities

I know what you're thinking: What kind of growth opportunities does Canadian Tire have? Aren't there enough stores in Canada? Do they have to expand into the United States?

Fortunately, Canadian Tire can grow in other ways: it can continue to grow its Sportchek banner; it can open up smaller stores in downtown locations; and there's still a lot of work to do to grow online sales.

One thing Canadian Tire will not do is expand into the United States. The company has tried this twice

before, and each time it fell flat on its face. So, investors shouldn't have to worry about another attempt.

A friendly environment

Let's go back a couple of years. At the time, Canadian Tire was facing a very uncertain environment. **Target Corporation** was entering Canada and in response, **Wal-Mart** was planning a big expansion. Meanwhile, everyone was still afraid of **Amazon**.

Since then, the environment has gotten a lot friendlier. We all know that Target has pulled out of Canada, and there have been others too. The Sony store is gone, as is Future Shop, both of which competed with Canadian Tire for electronics sales. And Sears Canada has been in retreat mode.

Notably, Wal-Mart has stopped offering unlimited free shipping on online orders, citing the fact that competitive pressures are less intense. So, I would expect many more positive years for Canadian Tire as well.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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