Is Canadian Tire Corporation Limited the Top TSX 60 Stock to Buy Today?

Description

Canadian Tire Corporation Limited (TSX:CTC.A), one of Canada's largest retailers and the company behind retail brands such as Canadian Tire, Mark's, FGL Sports, and Sport Chek, announced first-quarter earnings results before the market opened on May 14, and its stock has responded by making a slight move to the upside. Let's take a closer look at the results to determine if we should consider establishing long-term positions today, or if we should wait for a better entry point in the trading sessions ahead.

Lower gas prices dampen growth

Here's a summary of Canadian Tire's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	$0.88	$0.88
Revenue	$2.51 billion	$2.57 billion

Source: Canadian Tire Corporation Limited

Canadian Tire's earnings per share remained unchanged and its revenue decreased 2.3% compared with the first quarter of fiscal 2014. The company's lack of growth can largely be attributed to low gas prices, which led to its total gas sales decreasing 20.9% to $394.8 million. Excluding gas sales, Canadian Tire's revenue increased 2.2% to $2.12 billion.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Revenue increased 0.1% to $2.46 billion in its Retail segment
2. Revenue increased 11.8% to $92.4 million in its CT REIT segment
3. Revenue increased 7.5% to $284.5 million in its Financial Services segment
4. Same-store sales increased 4.7% at Canadian Tire, 8.6% at FGL Sports, and 5.5% at Mark's

5. Gross margin increased 5.6% to $882.1 million
6. Gross margin expanded 260 basis points to 35.1%
7. Earnings before interest, taxes, depreciation, and amortization increased 15.5% to $245.3 million
8. Income before income taxes increased 20% to $124.3 million

Canadian Tire also announced that it will be maintaining its quarterly dividend of $0.525 per share, and the next payment will come on September 1 to shareholders of record at the close of business on July 31.

Should you buy Canadian Tire today?

It was a solid quarter for Canadian Tire, so I think the slight post-earnings pop in its stock is warranted. I also think that this could be the start of a sustained rally higher because the stock still trades a very low valuations and has shown a strong dedication to maximizing shareholder value through the payment of dividends.

First, Canadian Tire's stock trades at just 15.9 times fiscal 2015's estimated earnings per share of $7.99 and only 14.5 times fiscal 2016's estimated earnings per share of $8.79, both of which are inexpensive compared with its long-term growth rate.

Second, Canadian Tire pays an annual dividend of $2.10 per share, which gives its stock a 1.65% yield at current levels. A 1.65% yield may not seem impressive at first, but it is very important to note that the company has increased its dividend 12 times since 2003, and its consistent free cash flow generation could allow for another increase in the very near future.

With all of the information provided above in mind, I think Canadian Tire represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider beginning to scale in to positions.

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

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