The 3 Biggest Takeaways From Canadian Tire Corporation Limited's 1st Quarter Results

Description

The past couple years have been fantastic for **Canadian Tire Corporation Limited** (TSX:CTC.A) and its shareholders. On Thursday the news only got better, as the company announced results for the first quarter of 2015.

Below we take a look at the three biggest takeaways from the quarter.

1. Strong growth across the board

The first quarter may be Tire's smallest, but it's always great to start off the new year well. The Canadian Tire flagship banner grew same-store sales by 4.7%—its best result in nearly a decade.

The Mark's banner also grew nicely, increasing sales (again on a same-store basis) by 5.5%. The stores really seem to be benefiting from the rebranding (remember, these used to be called "Mark's Work Wearhouse") as well as their proximity to Canadian Tire stores. FGL Sports, led by sporting goods retailer Sport Chek, did even better, growing same-store sales by 8.6%.

Finally, Canadian Tire Financial Services (CTFS) had an excellent quarter, growing credit card receivables by 6.8%. As a result, pre-tax income for the division grew by more than 20%, and reached $100 million.

2. Why was net income down?

Despite all these positive results, net income available to common shareholders declined by 3%. What happened?

Fortunately, this is nothing to worry about. Tire recently sold 20% of CTFS to **The Bank of Nova Scotia.** As a result, "income attributable to non-controlling interests" increased to $19.8 million this quarter. In the first quarter of last year, this number was only $5 million. The effective tax rate also ticked up slightly.

When excluding these factors, pre-tax income increased by a very impressive 20%.

3. A very big buyback program

Canadian Tire has a very ambitious share buyback program. Between March 1, 2015 and March 1, 2016, it can repurchase up to four million common shares. That’s more than 5% of the total outstanding shares and would cost the company about $500 million.

Yet after just one month, the company had already repurchased over 10% of this total. This is something that Canadian Tire shareholders should be used to. Just last year the company reduced its average share count by 2%.

So, looking ahead, the sky’s the limit for Canadian Tire. Growth is robust, which is translating into strong earnings numbers. The partnership with The Bank of Nova Scotia allows for more creative initiatives with CTFS. And the share count is being reduced along the way. I expect many more years of fruitful returns for investors.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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