



Canadian Tire Corporation Limited Is a Great Buy for Now and the Future

Description

If there's one thing that 2015 will not be remembered for, it will be the success in the retail sector. The year has seen some epic collapses, starting with **Target Canada** leaving, a decline and shake-up at **Sears Canada**, and the continued drop in sales at **Reitmans (Canada) Limited**.

One company at the other end of the spectrum is **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)). Canadian Tire recently reported third-quarter results that were outstanding, leading investors and analysts alike to solidify their stakes in the retailer, which includes stores sporting its namesake, Mark's, Sport Chek and PartSource.

Here's a summary of those quarterly results and why you should consider adding Canadian Tire to your portfolio.

Third-quarter results

For the third quarter, Canadian Tire reported earnings of \$3.13 billion, which was an increase of 1.9% over the same quarter last year. Earnings per share increased by 20.5% to \$2.62 per share diluted over the same quarter last year, which came in at \$2.17. One of the primary factors that attributed to the increase in earnings per share is an increase in net income by 23.4% to \$219.9 million.

Gross profit came in at \$1.02 billion for the quarter, representing an increase of 4% over the same quarter last year, and same-store sales were up in nearly all retail segments—there was an 8.5% increase at Sport Chek, a 7% increase at FGL Sports, a 3.4% increase at Canadian Tire, and finally a 0.2% decrease at Mark's.

Beyond the standard reporting items, Canadian Tire also announced an increase to the dividend by 9.5% to \$0.575 per share. If this were not enough good news, the company also announced a plan to repurchase approximately \$550 million of class A non-voting shares over the course of the next year, which should drive the value of existing shares up even further.

With such a positive quarter for the company, these announcements can be seen as reason enough for some investors to get in on the stock as investors will surely see greater value and increased

dividend income for years to come from the company.

Moving forward for a new generation

I'm not denying that this was a great quarter for the company, but what really has me excited about Canadian Tire's future is what is happening behind the scenes.

When Michael Medline stepped up into the CEO role last year, he realized that the 93-year-old company was failing to target certain customer age groups and that the brand was not viewed by customers as strongly as he had hoped.

What followed over the next year is nothing short of impressive. Medline repositioned the company as a retailer on the cutting edge of technology with services and segments that appeal to a wider array of shoppers.

The company created a digital currency, launched an app that can target exclusive deals and rewards for members, and even tied sales to weather forecasts. Canadian Tire now has a loyal following of users in a new channel that didn't exist two years ago.

The expectation is that further use of technology both in stores and on devices will drive revenue up further, making Canadian Tire a true "phygital" retailer (physical-digital retailer).

In my opinion, Canadian Tire represents one of the best opportunities for investors in the market. The company is right off an amazing quarter, is invested in and having success in innovating retail, and has a solid balance sheet with growth across multiple segments. The stock currently trades at \$124.85.

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1. Dividend Stocks
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1. Editor's Choice

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