



Canadian Tire Corporation Limited Soars on Q1 Results

Description

Canadian Tire Corporation Limited ([TSX:CTC.A](#)) announced first-quarter results this week that not only beat expectations, but set records. News of the results set the stock soaring to a new 52-week high of \$146.31. The stock is already up by over 23% year-to-date and is likely to continue an upwards trajectory.

Here's a look at those results and what they mean for investors.

First-quarter results

During the first quarter, Canadian Tire realized a 4.3% increase of \$91.9 million on consolidated revenues of \$2.5 billion, excluding petroleum revenues, which saw a decrease of 12%. And retail EBITDA was up by 8.8%.

Same-store sales saw increases: Canadian Tire was up by 1%, FGL Sports was up by 8.6%, and Mark's was up by 0.8%. Commenting on the quarterly results, company CEO Michael Medline proudly stated, "This is a record. I like records."

Analysts had largely expected the company to post earnings per share of just \$0.84. The company brought in a diluted EPS of \$0.90, representing a 2.6% increase over the same quarter last year and beating expectations by \$0.06 per share.

In terms of a dividend, Canadian Tire maintains a quarterly dividend of \$0.57 per share, giving the company a yield of 1.58% at current levels. While the dividend income is nice, growth is the primary reason to invest in the stock.

What pushed the stock up to new levels?

The latest results are more proof of the changes that Medline and others brought to Canadian Tire are starting to bear fruit. Just a few short years ago, the company had a branding and audience problem; it was stuck somewhere between the physical brick and mortar stores of old and the digital e-commerce model that many retailers have struggled to adopt into their business.

Commenting on this transition, Medline noted, “This kind of innovation was unthinkable at Canadian Tire even just a few years ago. Today, it is the way that we do business.”

Canadian Tire not only adopted the digital model—the company embraced it. The company has added both digital and e-commerce functionality to nearly every part of its business platform—online, in store, and, most recently, in the catalogue.

The most recent version of the catalogue appears as all prior versions, until a viewed on a mobile phone using the Canadian Tire app, where additional information, meta data, and media are available to shoppers.

What’s next for Canadian Tire?

One thing that really impresses me about Canadian Tire is that the company is not resting on its laurels. It is constantly innovating and investing in new ways to bring technology to the forefront of the retail operations.

This use of technology as an actual aid in the retail process has not only brought in the results for Canadian Tire, but also made the company a leader in the retail field on how traditional stores can succeed in the digital world.

Using treadmills to help determine the right size of shoe, sitting in a driving simulator to try out new tires before buying them, and using virtual reality headsets to see how patio furniture will look in your back yard are just some of the innovations that the company is using.

In my opinion, Canadian Tire is not only a great investment option, but a breath of fresh air to the retail industry as a whole. The company’s results, continuing advancements on using technology, as well as the dividend make the Canadian Tire an attractive offering for any portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Author
dafxentiou

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