



1 Cheap Stock to Grab From Santa's Sack This Christmas

Description

It's that time of year again. But this year, it's not a Santa Claus rally that's happening; it's a Trump rally that continues to send the markets into the atmosphere. I believe the Trump rally is just getting started and could last throughout 2017. It's a buyers' market right now, and it's becoming harder to find value by the day.

If you're looking for a stocking stuffer for a loved one, then look no further than **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)). The company just had a terrific earnings report in which it beat earnings expectations and reported strength across the board. A 13% dividend increase was also announced, which is just one of many hikes the company has rewarded shareholders with over the past few years.

The company has a fantastic track record of increasing its dividend as it has done so almost every year over the past decade. The dividend is as stable as it gets. The payout ratio is at about 25%, which is much lower than most of its peers in the retail industry. A lower payout ratio is considered "safer" and more stable.

The management team at Canadian Tire expects up to 10% earnings-per-share growth over the next few years through its growth initiatives. The company has a very impressive 13.38% return on equity with an 8% return on invested capital. This means the company is quite efficient at turning its investment initiatives into profit.

What is Canadian Tire doing to fuel this kind of growth? The management team is investing heavily in technology to improve its customer experience in order to drive same-store sales growth. If you've been to a SportChek store recently, then you may have seen these initiatives firsthand. You may have seen holographic images of cleats in transparent cubes or treadmills for you to try out a new pair of shoes.

The management team knows their business very well, and its strategic initiatives are getting traffic in its stores. That's why there's positive same-store sales growth across all of Canadian Tire's chains.

What about valuation?

The stock currently trades at a 14.1 forward price-to-earnings multiple with a 2.1 price-to-book multiple. Both are in line with historical average valuations. Growth is picking up, and the company deserves more respect for being a proven dividend-growth king.

I think 2017 will be a huge year for Canadian Tire, and if you're looking for a stock to buy and hang on to for the next decade, then look no further than Canadian Tire.

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Date

2025/09/11

Date Created

2016/12/22

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