



Canadian Tire Corporation Limited Is a Screaming Buy in 2017

Description

Canadian Tire Corporation Limited ([TSX:CTC.A](#)) is a Canadian retail icon. The company is also a dividend-growth king that has flown under the radar of many investors. The stock has increased its dividend for the last six years and is in a good position to do the same for the next decade. The company has an incredible management team with a strong branding strategy and a focus on operational efficiency, which will deliver strong results in the long run.

There's no question that the retail sector is facing some major difficulties of late. But that's not stopping Canadian Tire from recording terrific numbers.

The company reported an impressive 3.4% retail sales increase in its last quarterly report. The dividend was also raised by 13% following the earnings call, which is one of many to come over the next few years.

What is Canadian Tire doing right that other retailers can't seem to do?

Canadian Tire is innovating in its stores. It's using the latest in technology to attract customers and improve their experience, which will result in happier customers that are more likely to buy something. There's no question that the company's investment in technology has paid off in a time when other retailers are on their knees.

What kind of technology is boosting sales?

The company has made use of futuristic display cases, which have holograms to show the customer more details about a product. You may have seen one of these if you've walked into a Sport Chek lately. It's simple, but it attracts the attention of customers and appears to be giving a nice boost to the company's top line.

In addition to using technology to attract customers, the use of technology helps customers make the best purchase. At Sport Chek, there's a treadmill next to the shoe section; customers can try on a shoe and see if it's right for their foot. This results in fewer customers returning their shoes because the product was not right for them. The same "try-before-you-buy" approach is used in Canadian Tire's

automotive department, where you can test out tires on a driving simulator.

These are just a couple examples of how Canadian Tire is reinventing the retail store. The management team stated that there are over 30 more customer-satisfaction initiatives in progress that change the way customers shop.

What about valuation?

The stock trades at a 13 forward price-to-earnings multiple, which is quite a bit lower than its five-year historical average multiple of 14.4. The dividend is a modest 1.6%, but you can expect dividend increases each year in the 10-20% range going forward.

The management team is poised to improve gross margins going forward with their ongoing cost-saving initiatives, and there's more innovation coming out the pipeline to attract more customers to its stores.

The stock is cheap considering the catalysts that will drive the stock higher over the next year.

Canadian Tire is one of the best retail names out there, and you'd do very well for yourself by buying now and holding it for the next decade.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Date

2025/09/11

Date Created

2017/01/09

Author

joefrenette

default watermark