



Why Canadian Tire Corporation Limited Shares Are Soaring Today

Description

We all know **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), but we have not all loved it over the years. But management has been on a mission to change that, and the company has been transforming itself into a retailer of the future to remain relevant. The Canadian Tire of the past was not targeting a specific customer and was too much of a general retailer, selling a lot of things to everyone.

This new direction started a few years ago, and so far, results have been great. The company's same-store-sales growth has been exceptional, and the latest quarter (the fourth quarter of 2016) was no exception.

Same-store sales at the Canadian Tire banner stores increased a very healthy 8.1%; same-store sales at Mark's Work Warehouse increased 10.6%; and same-store sales at FGL Sports increased 5.1%. In addition, Canadian Tire has grown its EPS from \$7.02 per share in 2013 to \$9.22 in 2016. In 2016, EPS increased 11.3%. The stock trades at a P/E ratio of 16 times.

In a retail environment that has seen many failures recently, this is a clear sign that Canadian Tire is doing something right. Compare Canadian Tire's results to third-quarter results over at the once iconic retailer, **Sears Canada Inc.** (TSX:SCC). Revenue declined 13%, and the company reported a loss of \$3.11 per share. This follows a loss of \$2.98 per share a year ago and is part of the story of a company that has seen only two profitable quarters since 2012.

We can't talk about Canadian Tire without also talking about the REIT and financial services arm. **CT REIT** surfaced due to the value of the company's real estate assets, and its partnership with **Bank of Nova Scotia** for its credit card business has provided liquidity as well as a partner for long-term growth. These initiatives are aimed at monetizing the underlying value of the company and provide upside to the stock price, as investors realize that this value is meaningful.

Lastly, the company is supporting the stock price through its share-buyback plan; it has been buying back shares, and to date, the company has purchased a significant amount of shares. Share buybacks have been ramping up from \$200 million in 2014, \$400 million in 2015, \$550 million in 2016, and \$550 million in 2017.

The stock is up over 6% today on the back of these strong quarterly results.

CATEGORY

1. Investing

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

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