



Why Canadian Tire Corporation Limited Is a Great Retail Pick

Description

Investing in the retail segment of the economy has become risky in recent years, as once prominent, large retailers with sprawling showrooms have struggled to adopt technology as part of the retail process and adapt to rapidly changing consumer preferences to buy online.

Canadian Tire Corporation Limited ([TSX:CTC.A](#)) is one such retailer which, just a few short years ago, was struggling with that very problem in addition to a branding issue which had the company losing traffic and relevance.

Countless retailers have attempted and failed the transition to the online world. Canadian Tire not only succeeded in that transition, but the retailer has become a shining example for other retailers.

Canadian Tire's solution

Canadian Tire has always been the place to go for car parts, sporting equipment, and items for the home and garden. That doesn't sound particularly exciting, nor is it something that online shoppers would go out of their way to seek out, considering the assortment of online retailers offering free shipping and a dizzying array of products.

Canadian Tire integrated technology into the buying process, rather than just mirroring it. While other retailers created apps that replicated a catalogue or existing website, Canadian Tire developed the Wow Guide Catalogue, which provides an enhanced experience with a smartphone.

Rather than displaying a tablet next to a display that charts out information already in a booklet, Canadian Tire provided customers with a driving simulator that lets them try out new tires in different weather conditions. Canadian Tires has also used data analytics to target when items should be stocked and promoted.

There are countless other examples of the use of technology, but the theme is the same: technology aids in the sales process directly with consumer-facing aids and back-office tools. And it has been incredibly successful.

Recent results continue to impress

Canadian Tire recently announced quarterly results that once again left investors impressed with the company. Fourth-quarter results revealed near-record same-store-sales growth of 8.1% at Canadian Tire. Its other brands performed well too: FGL Sports, which includes the Sport Chek chain, reported same-store-sales growth at 5.1%; the Mark's clothing brand saw a 10.6% increase in same-store sales.

Earnings in the fourth quarter spiked 10%, coming in at \$246.8 million, or \$3.46 per share. By comparison, in the same quarter last year, Canadian Tire posted \$225.2 million. Analysts were expecting the retailer to post earnings of \$3.39 per share.

Revenue came in at \$3.64 billion — a 7.7% increase over the \$3.38 billion reported last year. For the full fiscal year, revenues topped \$12.7 billion, handily beating the \$2.3 billion posted at the end of 2015.

In my opinion, Canadian Tire remains a great investment opportunity. The most recent quarterly results show how efforts over the past years have proven successful, and that's likely to continue.

Canadian Tire pays a quarterly dividend with a yield of 1.65% and is actively engaging in a share buybacks.

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