



## Inflate Your Portfolio With Canadian Tire Corporation Limited

### Description

**Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) is an iconic Canadian company that has performed quite impressively for investors over the years. The retail giant has posted year-to-date stock price growth of more than 7%, despite dropping more than 13% from its peak last month.

### Earnings beats

Last month, the retailer announced its quarterly net income rose by more than 26%, supported by the company's growing financials division, which includes a range of credit products, including company credit cards, insurance options, and warranty products.

Canadian Tire's top-line revenue numbers also improved by more than 7% year over year with both key metrics beating analyst expectations.

Despite the large year-over-year increase in revenue and net income, the company's stock price took a nose dive, dropping more than 13% to today's level since the earnings release in early May.

### New e-commerce initiatives

Canadian Tire has also been very vocal of late about its e-commerce initiatives which include home delivery for some of the company's banners, including FGL Sports and Mark's Work Warehouse, with home delivery coming for the company's other banners soon.

With over 30 e-commerce initiatives underway, Canadian Tire will be focusing on its rollout of home delivery for its main banner later this year — an initiative the company hopes will help fend off threats from major American retailers such as **Amazon.com, Inc.** and **Wal-Mart Stores Inc.**, which have entered the Canadian market en masse.

While the overall outcome of these initiatives remains to be seen, it appears Canadian Tire is doing a good job of maintaining its moat in the seasonal necessities segment, one which is hard to define yet important for Canadians — 90% of whom live within 15 minutes of a Canadian Tire store.

## Bottom line

The top- and bottom-line earnings beats combined with the company's e-commerce initiatives are very bullish indicators of the company's ability to churn out profits and generate growth in the long term, in my opinion.

The fact that the company's stock price could take such a hit in a short period of time after posting incredible numbers is indicative of a trend I have noticed of late, in which good companies that post earnings beats actually decline on the news, based on some other metric which takes centre stage for investors.

Other analysts have pointed to margin weakness within the central Canadian Tire brand compared with its other brands such as FGL Sports, Mark's Work Warehouse, and Sport Chek, which outperformed the traditional banner.

However, when looking at the entity as a whole, which is likely to include additional bolt-on acquisitions in the future, I remain convinced that Canadian Tire is oversold and a real value play at current levels.

Stay Foolish, my friends.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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