



## Pump Up Your Portfolio With Canadian Tire Corporation Limited

### Description

**Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) is down nearly 14% from its peak as pessimism continues to stick around in the weeks following an underwhelming earnings report which rang alarm bells in the ears of investors.

#### Post-earnings sell-off is overblown

The last earnings report was not as bad as the sell-off that followed would suggest. Canadian Tire's net income rose over 26% with revenue increasing 7% year over year, which beat analyst expectations.

Despite the solid numbers, investors were disappointed that FGL Sports saw same-store sales decline by 2.7%. To add more salt in the wound, some investors were spooked over Canadian Tire's new e-commerce initiatives; it was originally thought that the rise of e-commerce giants like **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) would not be too much of a problem for Canadian Tire, which has always been thinking several steps ahead when it comes to adapting to a changing retail environment.

After all, Canadian Tire mainly sells goods that wouldn't make much sense to sell online. Tires, swing sets, sports equipment, and automotive goods are usually purchased at brick-and-mortar stores, but with Amazon making moves in the fashion and grocery industry, it wouldn't be too farfetched for Amazon to sell larger home improvement products in the near future.

Some of the smaller items, like salt shakers, brake pads, and wipers, can already be purchased online, and this is why Canadian Tire is opting to invest in an e-commerce platform.

#### Is FGL Sports really in trouble?

Canadian Tire has been spending on same-store sales growth initiatives, and if you've walked into Sport Chek lately, you probably noticed the new technologies that drive customers into its stores. You would think that with such enticing store renovations you'd see same-store sales increase, so it was alarming when same-store sales took a dip.

Many sporting goods stores are vulnerable to seasonality, and the warm winter certainly didn't help the

sales of winter sporting goods. Is Amazon partially to blame for a drop in same-store sales? Probably, but I still believe that the average consumer will prefer to buy sporting goods at a physical store in the future.

While many consumers are opting to buy articles of clothing like shoes online, I believe this is a waste of time for the consumer because such items really require a “try before you buy” approach to avoid excessive item returns.

I think the fears over FGL Sports are overblown and that the management team has the ability to turn things around sometime in the next few quarters.

### **Bottom line**

Canadian Tire is arguably Canada’s best retailer, and the management team has shown in the past that it can adapt to changes in a hurry. If you’re looking for a terrific business with a top-notch management team, then pick up shares of Canadian Tire on the current dip.

Stay smart. Stay hungry. Stay Foolish.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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1. Investing

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