



## This Thriving Retailer Just Hiked its Dividend by 38%

### Description

These days, with interest rates remaining at very low levels, it is not only retirees that are looking for dividend-paying stocks to provide that all-important lift to income.

So, when I encountered a company that not only provides a healthy dividend, but also a growing dividend and business, I am all the more excited. If we can get income plus growth and capital appreciation, it is the best of both worlds.

Enter **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)).

The company just reported very solid third-quarter results, and based on this and management's outlook for the future, they have decided to increase the dividend by 38% to \$3.60 per share.

With total same-store sales increasing 3.9%, earnings per share increasing 5.9%, and ambitious financial targets for the years to come, Canadian Tire's transformation continues to impress.

Financial targets for the next three years include annual consolidated same-store sales growth of 3% (excluding petroleum), annual diluted EPS increases of 10%, and a return on invested capital on the retail business of 10% by the end of 2020.

Currently, the company's return on invested capital is just under 9% compared to just over 8% a year ago. So, good progress on this front is already evident.

### Transformation of a sleeping giant

Recall that the company used to be the sleepy retailer that was falling behind the times, with financial results reflecting this.

But a new CEO (Michael Medline) in 2014 [began a new era at the retailer](#). And although the company now has another CEO at the helm, we continue to see strong sales growth, growing margins, and a growing relevance of the retailer as we head into the new age of retailing, with online presence being of utmost importance.

The company has always had a very strong brand awareness, but at times in the past, that brand was not associated with good things. A revamping of the brand was therefore embarked upon, with targeted marketing and a huge investment in all things digital.

Digital marketing was beefed up, and Canadian Tire's e-commerce presence was put to the test, all in the goal of driving top-line sales growth.

Back to the third quarter. The company continues to show good progress on increasing efficiencies and streamlining the business. A retail gross margin of 34% was achieved, which is a significant improvement over the company's gross margin of 28% back in 2013.

In summary, Canadian Tire remains a steady performer which is [thriving in this retail environment](#) and which is passing along its good fortune to shareholders.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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## Date

2025/08/25

## Date Created

2017/11/12

## Author

karenjennifer

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