



Why Canadian Tire Corporation Limited Is Soaring Over 5%

Description

Canadian Tire Corporation Limited ([TSX:CTC.A](#)), one of [Canada's largest retailers](#), announced its fiscal 2017 fourth-quarter and full-year earnings results this morning, and its stock has responded by soaring over 5% in early trading. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

The results that ignited the rally

Here's a breakdown of six of the most notable statistics from Canadian Tire's 13-week period ended December 30, 2017, compared with its 13-week period ended December 31, 2016:

Metric	Q4 2017	Q4 2016	Change
Retail sales	\$4,599.3 million	\$4,383.5 million	4.9%
Revenue	\$3,964.0 million	\$3,641.0 million	8.9%
Gross profit	\$1,393.9 million	\$1,296.7 million	7.5%
Adjusted EBITDA	\$558.5 million	\$506.6 million	10.2%
Net income attributable to shareholders of Canadian Tire	\$275.7 million	\$246.8 million	11.7%
Diluted earnings per share (EPS)	\$4.10	\$3.46	18.5%

And here's a breakdown of six notable statistics from Canadian Tire's 52-week period ended December 30, 2017, compared with its 52-week period ended December 31, 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Retail sales	\$14,980.7 million	\$14,370.6 million	4.2%
Revenue	\$13,434.9 million	\$12,681.0 million	5.9%
Gross profit	\$4,638.4 million	\$4,392.5 million	5.6%
Adjusted EBITDA	\$1,693.8 million	\$1,561.8 million	8.5%

Net income attributable to shareholders of Canadian Tire	\$735.0 million	\$669.1 million	9.9%
Diluted EPS	\$10.67	\$9.22	15.7%

What should you do with Canadian Tire's stock today?

It was an outstanding quarter and year for Canadian Tire, highlighted by EPS growth of over 15%, so I think the market has responded correctly by sending its stock soaring; I also think the stock still represents a very attractive investment opportunity for the long term for two primary reasons.

First, it's still attractively valued. Even after the +5% pop, Canadian Tire's stock trades at just 16.2 times fiscal 2017's diluted EPS of \$10.67 and only 14.9 times the consensus estimate of \$11.56 for fiscal 2018, both of which are inexpensive given its strong growth rates and its targeted annual EPS growth of 10% or more through 2020.

Second, it's a dividend aristocrat. Canadian Tire pays a quarterly dividend of \$0.90 per share, representing \$3.60 per share annually, which gives it a solid 2.1% yield. It's also very important to note that the retail giant's [38.5% dividend hike](#) in November has it on track for 2018 to mark the eighth straight year in which it has raised its annual dividend payment, and I think its very strong financial performance will allow this streak to continue for decades.

With all of the information provided above in mind, I think Foolish investors seeking exposure to the retail industry should consider Canadian Tire to be one of the best investment options in the market today.

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