



This Canadian Icon Just Became Even More Canadian

Description

When it comes to Canadian businesses, it's hard to get more Canadian than **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), a firm with extremely deep roots in Canada. Through the decades, Canadian Tire has become a household name such that even its loyalty program coupons, Canadian Tire money, have become somewhat of an unofficial currency across the nation. To many, it's just as good as real cash.

There's no question that Canadian Tire has solidified its position in the Canadian market through many of its [exclusive brands](#) that are "tested for life in Canada." Such brands allow Canadian Tire to thrive at a time when many other brick-and-mortar retailers are on their knees due to the rise of disruptive e-commerce players.

These brands include MotoMaster, MasterCraft and, most recently, Sher-Wood Athletics Group. They're household names in Canada, and looking ahead, management is going to continue to bolster its exclusive brand portfolio, as it moves further into the new age of retail. Such brands are going to solidify Canadian Tire's moat, allowing the company to be a one-stop shop for Canadians, offering many branded goods from auto equipment to hockey sticks.

"Smaller brand acquisitions offer us the opportunity to generate a lot of value," said Allan MacDonald, vice president of retail. "I'm really encouraged that we can pick up some velocity in here and go a little faster as the brands become available. And we're working really hard to make that happen."

Canadian Tire's recent acquisition of Sher-Wood's global hockey trademarks and its related inventory makes Canadian Tire even more Canadian than it already is.

How does the recent Sher-Wood acquisition fit in?

If you've ever played hockey, then you're probably very familiar with the Sher-Wood brand, which specializes in hockey sticks but also manufactures gloves, pants, pads, hockey bags, and other essential pieces of hockey equipment.

The Sherbrooke-based company has been operating for over 60 years, and during this time, the Sher-

Wood brand has gradually earned a reputation for itself in the hockey world. When it comes to top brands, it's tough for a new entrant to make a name when competing against the hockey giants, Bauer and CCM, which essentially form a duopoly in the hockey market, making it extremely hard for new entrants to get a satisfactory return on investment.

You don't see stars like Sidney Crosby promoting the Sher-Wood brand, because unlike the larger players in the space, Sher-Wood has found its niche and has developed a solid reputation over decades without the need for excessive expenditures on marketing.

Sher-Wood isn't trying to become the number one brand in hockey, as it doesn't manufacture many essential pieces of hockey equipment like helmets. Instead, the company sticks within its circle of competence (sticks), and despite a lack of marketing campaigns, it has still managed to become the stick brand of choice for many hockey players, including those in the NHL.

Unlike the bigger brands in Bauer or CCM, many hockey players aren't paid to use Sher-Wood sticks; they just choose to because of personal preference and their trust in the brand.

As a budget-conscious hockey player myself, I've typically opted for Sher-Wood sticks, because they've typically offered the best value. They're not incredibly expensive sticks; in fact, they're very affordable and are great for newcomers to the game of hockey, since you can get a wooden stick for just \$20.

Hockey sticks break all the time, and if you're on a budget, it can be difficult to justify paying hundreds of dollars per stick. Sher-Wood still offers expensive, professional sticks made from carbon fibre; however, relative to the Big Two, Sher-Wood offers the best bang for your buck.

Bottom line

Canadian Tire is bolstering its moat with smart acquisitions that'll come at a fast and furious rate over the next few years. Sher-Wood is an absolutely wonderful brand that doesn't require extensive marketing to thrive; however, I believe Canadian Tire will be able to give the brand a boost through such campaigns going forward. And if that's the case, the Big Two (Bauer and CCM) may begin to lose hockey stick share in the casual market to old-time competitor Sher-Wood.

Given Canadian Tire's brand-acquisition strategy and the stock's modest 16.46 trailing P/E, I have no problem making it [my top pick for 2018](#).

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