It’s Time to Add Canada’s Most Robust Retailer to Your TFSA

Description

While the title of Canada’s best retailer is up for debate, I believe **Canadian Tire Corporation** (TSX:CTC.A) is by far Canada’s most robust retailer.

So, if you’re an investor who’s looking to get rich slowly by growing your TFSA over the course of decades, there’s no need to look further than Canadian Tire, a retailer with impeccable stewardship and the capacity to deliver above-average capital gains and dividend growth for many years to come.

Sure, Canadian Tire isn’t as exciting as a **Canada Goose Holdings**, but investors need to remember that the Tire is not a “sexy” growth kind of play. It’s a good, old-fashioned value stock, and as we witnessed Monday, it’s typically a good idea to be holding such value names in addition to growth or cyclical names to avoid getting hurt in drastic market-wide growth-to-value rotations.

Although Canadian Tire’s growth prospects may not be sexy, its potential for dividend growth sure is.

When it comes to long-term dividend growth, the Canadian icon is a cut above the competition. The company has not only delivered impressive capital gains over the years, but it’s grown its dividend at an astounding rate. With an intelligent management team that knows how to adapt to a more challenging brick-and-mortar retail environment, there’s no question that those who keep the boring Canadian icon in their TFSA will see their portfolio swell with ever-growing dividend payouts.

Hello, Helly

The recent acquisition of Helly Hansen was a major turn-off for many analysts, as the $1 billion price paid was not cheap. The amount paid implies a 20 times trailing EBITDA, which is pretty absurd for a brand that many Canadians may not have heard of.

If you’re not familiar with the Helly Hansen, it’s a Norwegian apparel brand that has picked up traction at the global scale. While Helly Hansen may not be a household name in Canada yet, I believe Canadian Tire has the resources at its disposal to turn it into one. Management believes the exclusive brand bolsters its portfolio and will make the retailer as a whole even more robust.

In many previous pieces, I've applauded Canadian Tire's brand acquisition strategy, and while the real value of Helly Hansen may be suspect, given management's impeccable track record thus far, I'm confident that management will be able to get a high return on its investment.

What's most compelling to me is the fact that Helly Hansen is in the same arena as Canada Goose when it comes to outerwear, most notably down-filled parkas. Helly Hansen's parkas are much cheaper and may be a potential threat for Canada Goose in spite of its less-established brand, especially if Helly Hansen can find a spot with millennials, who are more than willing to loosen the purse strings on clothing they don't necessarily need.

Canada Goose has a pretty solid moat in the premium outerwear space, so Canadian Tire is going to need to get creative if it has any intention of having Helly Hansen give Canada Goose a run for its money.

There's real potential in Helly Hansen, but still, many are skeptical of the premium multiple that Canadian Tire paid.

Foolish takeaway

Canadian Tire is a dividend-growth king that's a robust core holding to any TFSA. Moving forward, Canadian Tire is expected to build upon its moat through the acquisition (or development) of other exclusive labels. It's these brands that will allow Canadian Tire (and its subsidiaries) to continue to draw traffic into its stores.

Moreover, given management's direction, I see many years', if not decades', worth of generous annual dividend hikes.

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joefrenette