Is Canadian Tire Corp. (TSX:CTC.A) Stock a Buy Today?

Description

Canadian Tire (TSX:CTC.A) is down on weaker-than-expected results for the second quarter of 2018, and investors who missed the big rally over the past year are wondering if the pullback is a good opportunity to buy the stock.

Let's take a look at the current situation to see if Canadian Tire deserves to be in your portfolio right now.

Growth

Canadian Tire had a busy start to 2018, including an international acquisition and the launch of a rewards program.

The company closed its purchase of Oslo-based Helly Hansen in early July. Founded in 1877, the sportswear company sells high-quality sportswear and workwear gear to customers in more than 40 countries. The brand is highly respected and fits in with Canadian Tire's ambitions to expand its outdoor and workwear portfolio to complement the existing Mark's brand as well as the FGL portfolio that initially with the 2011 acquisition of The Forzani Group.

Canadian Tire paid $985 million for the company that operates the Helly Hansen brands. It was owned by the Ontario Teachers' Pension Plan.

Canadian Tire has long been a successful loyalty program operator through its Canadian Tire Money program. In the past couple of months, the company launched Triangle Rewards, which expands the program to enable customers to collect Canadian Tire Money online and in-store at Canadian Tire, as well as the participating retail outlets operated under FGL, including Mark's, Sport Chek, Atmosphere, and the gas stations.

In addition, the program has partnered with **MasterCard** and offers 4% cash back on Canadian Tire purchases, 3% in Canadian Tire Money on grocery store purchases, and $0.05-$0.07 per litre back on fuel purchases.

The popularity of Canadian Tire money makes the Triangle program compelling and could provide a nice boost to earnings in the coming years.

Stock drop

The excitement around the Helly Hansen acquisition and the launch of Triangle helped boost Canadian Tire shares to a recent high above $182 per share. When the Q2 earnings came out August 9, however, the stock dropped below $170.

What happened?

Adjusted net income came in at $2.61 per share compared to $2.81 per share in Q2 2017. Analysts expected the company to report adjusted net income of $3.04, according to **Thomson Reuters** Eikon. Revenue for the quarter rose by 3.2% to $3.48 billion.

Cold weather in April put a damper on spring sales and costs connected to the acquisitions, and the Triangle launch took a bite out of profits.

Dividend

Canadian Tire pays a quarterly dividend of $0.90 per share. That's good for a yield of 2%. The payout has tripled in the past six years.

Should you buy?

Canadian Tire is a retail juggernaut. It also has a profitable REIT business. The launch of Triangle Rewards and the associated credit cards could be a game changer, given the widespread popularity of the brand and the Canadian Tire Money program.

If you are searching for a buy-and-hold retail pick for your portfolio, Canadian Tire looks attractive today.

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