



Canadian Tire Corp. Ltd: Good Retailer but Is it a Great Long-term Investment?

Description

Canadian Tire Corporation Ltd. ([TSX:CTC.A](#)) is often regarded as one of the better, if not the best retailer in Canada, a fact that is often attributed to the company's stunning turnaround and adoption of technology throughout the sales process.

But just how well is Canadian Tire performing now, and is the company still regarded as a great investment option? Let's take a look at the company and try to answer that.

Q2 results show strength for now, but what about the future?

Last month Canadian Tire released results for the second fiscal of 2018. In some ways, the results were mixed, but overall showcased that Canadian Tire is placing significant investments in future growth.

Revenue in the second quarter came in at \$3,480.8 million, representing a respectable 3.2% increase over the same period last year. Excluding petroleum revenue, that growth drops to just 0.9% over the prior period.

Net income attributable to shareholders dropped 20.1% over the same quarter last year, coming in at \$156 million. On a per share basis, the company earned \$2.61 per normalized diluted share in during the quarter, which was 7.2% lower than the same period last year.

On a per-segment basis, comparable sales growth across the company saw Canadian Tire and Mark's realized growth of 2.0% and 1.3%, respectively, while FGL saw a small dip of -0.3% in the quarter.

Some of that drop in earnings was attributed to the excessively cold and long winter as well as Canadian Tire's acquisition of international outfit Helly Hansen that was completed earlier in the quarter.

Canadian Tire's international growth will be different

Canadian Tire doesn't have the best history when it comes to expanding outside Canada.

In the 1980s, the company branched out to buy Texas-based automotive chain White Stores, only to sell it several years later at a loss. Nearly a decade later, Canadian Tire bought another automotive parts chain, this time in Indiana, but that too was sold off after several years of disappointing sales.

The Helly Hansen deal is different from those former attempts for three reasons.

First, Helly Hansen is already an international brand itself that is sold in over 40 countries worldwide, including both the U.S. and in Canada, where coincidentally both Sport Chek and Marks are its largest customers.

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