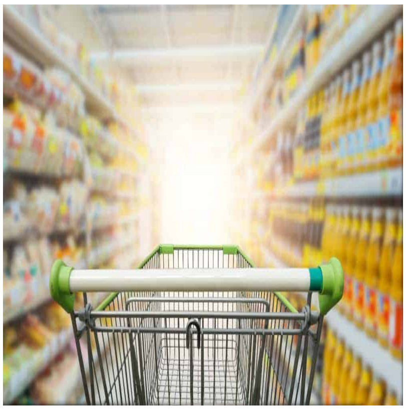

Which 1 of Canada's 2 Iconic Retailers Is a Better Buy?

Description

Canadian Tire (TSX:CTC.A) and **Loblaw Companies** (TSX:L) are two of Canada's iconic retail brands that have undergone major shifts and faced many challenges over the last few years.

To determine which one is a better stock for investors to own going forward, let's take a closer look at these two retail giants. Of course, a look at these retailers would not be complete until we first consider the macro environment that each of them is facing.

From a big-picture perspective, I think it's fair to say that the consumer is in jeopardy, and that futures sales growth will probably pale in comparison to the past few years, as consumer debt remains at record-high levels and interest rates continue to rise.

Moving on from there, let's take a look at these two stocks.

With one of the most recognizable brand names and a long history, Canadian Tire, with $13.5 billion in revenue, has an unrivaled position in the Canadian retail industry.

Canadian Tire stock is down almost 10% year to date, and while it offers a diversification that is unmatched by Canadian retailers and will probably be relatively less affected by a downturn in consumer spending, nonetheless, it will be affected.

But on the flip side, Canadian Tire has achieved an awakening of sorts and is now a better, leaner, more in-tune retailer than it ever was.

A new CEO (Michael Medline) back in 2014 began a new era at the retailer.

And even though the company's CEO has changed in the meantime, we have continued to see strong sales growth, growing margins, and a growing relevance of the retailer as we head into the new age of retailing, with online presence being of utmost importance.

Canadian Tire has always had a very strong brand awareness, but at times in the past that brand was not associated with good things. A revamping of the brand was therefore embarked upon, with more targeted marketing and a huge investment in all things digital.

In the last 10 years, annual dividends have grown at a compound annual growth rate of 16%, and currently the dividend yield is 2.41%.

Loblaw has rallied 36% in the last five years, but that has been pretty much range bound since 2016 amid heightened competition from the likes of **Wal-Mart** as well as other Canadian competitors, price deflation, drug reform, and an increase in online grocery shopping.

Wal-Mart Canada has stepped up its pursuit of online shoppers and has revamped its stores, which will now be equipped with parking spots specifically for online grocery shoppers.

But throughout all this, Loblaw has attempted to use its scale in order to drive operating efficiencies and to drive value for the consumer.

And the company has had success with this, as demonstrated by its three-year compound annual EPS growth rate of 12.35%.

Going forward, I would favour Loblaw stock due the fact that it is a part of the more defensive/less cyclical consumer staples industry, and due to its strong free cash flows and attractive valuation.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Msn
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3. Sharewise
4. Yahoo CA

Category

1. Investing

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