



TFSA Investors: This Dividend Aristocrat Is Ready to Take Off After its Huge Q3 Beat & Raise

Description

Canadian Tire ([TSX:CTC.A](#)) popped over 10% in a single trading session following the release of its applause-worthy third-quarter results, which surprised many skeptics on the Street who were convinced that the iconic retailer was due to crack under mounting competitive pressures faced by all but the most robust of brick-and-mortar players.

Now, a +10% single-day move is a massive move by anybody's standards, but I thought the rally was slightly muted when you consider that the company's long-term investment initiatives have finally begun to yield fruit. Moreover, the overblown negative reaction to the "weak" Q2 results was severely exacerbated by the October's market-wide correction, leaving Canadian Tire stock unfairly punished and overdue for a [correction to the upside](#).

I think Canadian Tire's remarkable third quarter sent a major message to the doubters that [Canadian Tire is a brand with staying power](#); it's not just another big-box retailer whose best days are behind it due to the continued rise of the digital competition.

The big quarter that pumped the tires

For the third quarter, Canadian Tire delivered a solid top- and bottom-line beat to go with a 15% dividend hike. The company clocked in \$3.631 billion in revenue, up 11.2% year over year, with adjusted EPS of \$3.47, up a whopping 34.2% year over year.

The impressive top-line beat was attributed to the Helly Hansen acquisition and a nice pick up in same-store sales growth (SSSG) numbers. As the Triangle Loyalty Rewards program continues to pick up traction in conjunction with Canadian Tire's continuously improving portfolio of exclusive offerings, I suspect SSSG numbers will continue to remain robust in spite of the less-favourable environment for brick-and-mortar players.

To put a cherry on top of the fantastic quarter, management announced its intention to buy back up to \$400 million worth of shares through 2019. The buyback combined with the hiked dividend is a potent

combo that's too good for TFSA investors to pass on. I think Canadian Tire remains undervalued after its big Q3 and will likely be on a sustained rally past its all-time high.

Foolish takeaway

Canadian Tire's third quarter was outstanding, but the +10% upside correction, I believe, wasn't at all surprising given management's incredibly smart adaption strategy.

I think the impressive efforts that CEO Stephen Wetmore and team have been making will be more than enough to counteract the competitive pressures over the long term and will eventually allow the retailer to become the "best ever" version of itself.

Canadian Tire is a definite buy right here, right now, and if you can find room in your TFSA, all the better.

Stay hungry. Stay Foolish.

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