Buy Now: A Canadian Retailer That Is Beating the Market

Description

Canadian Tire (TSX:CTC.A) is arguably one of the top two retail brands in the country and one of the most recognizable brands for Canadians. Interestingly enough, few investors make the connection between the iconic brand and the growing number of reasons why Canadian Tire is a great fit for nearly any portfolio.

Let's take a moment to take a look at the company and whether it should be part of your portfolio.

A strong portfolio of brands and opportunity

While most people know that Canadian Tire owns several different brands and product lines, few realize that the company actually owns over one dozen well-known labels in addition to its namesake-branded stores.

Those brands include Sport Chek, Mark's, National Sports, PartSource, Helly Hansen, and others.

The Hally Hansen acquisition, which is also the most recent addition to the Canadian Tire portfolio, is one that investors should pay close attention to. At first glance, the sportswear offered by the company seems like a perfect fit for Canadian Tire's array of brands, which all have an outdoor-lifestyle vibe to them, but looking deeper into the deal reveals something more lucrative.

Hansen is an established company that has both a wholesale and retail model setup that ships to over 40 countries around the world. Coincidentally, Canadian Tire has historically struggled with expanding outside the Canadian market, as seen with the company's former failed attempts at expanding its successful automotive parts business into the U.S. market.

With Hansen, Canadian Tire is acquiring not only a successful product but a proven distribution system that could, in theory, be used to distribute an assortment of other Canadian Tire-owned brands.

Also worth mentioning is Canadian Tire's revamped loyalty program: Triangle rewards. The program provides additional outlets for customers to redeem Canadian Tire Money across a wider array of products, and members can earn rewards through its branded credit card.

Yet another intriguing opportunity comes in the form of a retail REIT that Canadian Tire has a 76% interest in. **CT REIT's** property portfolio consists of primarily Canadian Tire store locations, which translates into a stable tenant base that provides a lucrative distribution to investors.

Strong results, growing dividend

Maintaining a growing number of brands provides Canadian Tire with a growing moat that continues to serve investors well during earnings season. In the most recent quarter, Canadian Tire reported revenue of $3,613.3 million, representing an impressive $11.2 million gain over the same period last year. In terms of earnings, the company reported $203.8 million, or $3.15 per diluted share, representing a 15.3%, or 21.7%-per-share, improvement over the same period last year.

The strong earnings report also helps justify what is becoming an attractive dividend. Over the past decade, Canadian Tire's dividend has gone from near obscurity to one that now pays an impressive yield of 2.93%. That increase is thanks to a series of annual bumps to the dividend that have averaged over 15% during the past decade, which, given the performance of the company as a whole, are likely to continue for the foreseeable future.

In my opinion, Canadian Tire remains an excellent long-term option for investors looking to diversify their portfolios with a retail stock that can provide both growth and income.

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