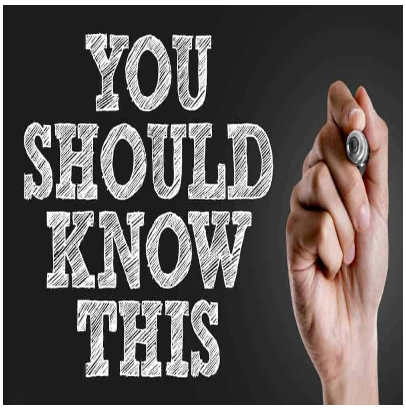


This Completely Undervalued Stock Could Be in for a Big Boost

### Description

There are few retail stores out there that Canadians connect to more than **Canadian Tire Corp.** ( TSX:CTC.A).

It seems like the company has been around forever, with its stock simply growing and growing over the years. But that seems to have taken a turn lately.



Unfortunately, things have changed. The world is even smaller, and the brick-and-mortar stores of Canadian Tire have analysts questioning whether the company can cut it in this increasingly online world.

Honestly, there has been a lot this company has done right — and its why I think the stock is highly undervalued.

## Not just Canadian Tire money

Last year was a hard one for Canadian Tire, as the stock price dropped down and lost about 9% of its value. Then the new year came and while other stocks seemed to rebound, Canadian Tire investors just weren't convinced, leaving the stock price firmly in place.

Yet there's really no good reason for it. The company is strong, with revenue growing by 5.9% in 2018, compared to 2.2% among its peers, and earnings per share have risen 12% year over year. Though Canadian Tire did earn a bit less than expected, reporting $4.13 billion in earnings during the quarter, which was below analysts' consensus estimates of $4.24 billion.

It's also growing. At the end of last year, Canadian Tire had more than 10 million loyalty members and two million active credit card accounts. Seems people still want that Canadian Tire money!

While the retail segment in Canada is absolutely at risk of a slowdown in the next  couple years, if not a full-blown recession, Canadian Tire should still come out the other end just fine.

## Brands over business

Whereas other businesses – including Canadian Tire itself – acquire other businesses these days, Canadian Tire has slowly grown away from that model. Buying stores like FGL are done, and instead the strategy is for Canadian Tire to buy the brands that consumers want and offer them exclusively in its stores. That gives the company two methods of loyalty from consumers: loyalty to the brands they love, and strengthening or beginning a new loyalty to Canadian Tire.

The company is also expanding its online presence. **Amazon** and other online stores like it are a huge threat to Canadian Tire. But as online retailers have seen growth, Canadian Tire has seen growth for its company as well. Its expanded web presence has helped the company, increasing its use of digital tools both online and in-store to help customer experience. This includes things like virtual reality, where customers can test drive winter tires. You can't do that on Amazon.

## Dividend

Now not only does Canadian Tire have a lot of growth potential, but it also has an attractive dividend yield of 2.84% at the time of writing this article. This dividend has grown exponentially over the years, from $0.4375 in 2014, to $1.0375 today. That's an increase of 137%, and an annual growth rate of 18.9%!



## Bottom line

There's a lot going for this stock, and no real reason why it hasn't rebounded. Since 2000, the company's shares have risen almost 600%, and has been on a steadily increase until recently.

At the time of writing, it trades at about $145 per share and remains undervalued. Analysts predict that the company could be above $200 by March 2020, and unlikely to be below $160 in that time. That makes today the ideal time to pick up this stock, as it's unlikely to be this cheap again.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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1. Investing

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