



A Top Stock Pick for the Contrarian Investor

Description

To be a contrarian investor takes a lot of nerve. While the market is swinging one way, contrarians go against the grain. They see what others don't or, at the very least, are willing to act on what's in front of them as opposed to being influenced by the market.

With the U.S. and China trade war dominating the news, the retail industry has been under pressure. As such, it is ripe with stock picks for [contrarian investors](#). Consider **Canadian Tire** ([TSX:CTC.A](#)).

If you are Canadian or have lived in Canada, then there is a good chance at some point you visited one of Canadian Tire's stores. Most have probably made it a frequent shopping stop. The company has a significant moat and has one of the most recognizable and respected brands in the country.

Over the past year, the stock has been a frequent target for bears. It has lost 14% of its value and in 2019, has just barely treaded water. At one point, it was actually up almost 10%, but the recent trade news and disappointing earnings has sent its stock into another downward spiral.

Recent quarterly results

Let's start with first-quarter earnings. Canada's prolonged winter had a considerable impact on its Canadian Tire namesake brand. Earnings in its core segment fell by 2.7% and was a significant factor in its overall \$0.26-per-share miss. On a consolidated basis, revenue was up 2.8% to \$2.894 million, beating expectations by \$15.60 million.

It is important to note that earnings were impacted by a few one-time factors that are not likely to repeat in the future. These include lower gains on property sales, a sell down on CTC's interest in the REIT, and additional financing costs in large part due to the Helly Hansen acquisition. In total, these impacts had a \$0.29 impact on earnings.

The company suffered from a mixed headline, but there were plenty of positives. For starters, comparable sales grew by 6.1% and it experienced considerable penetration of its Triangle Rewards loyalty program.

A great company at a great value

Thanks to the most recent downtrend, Canadian Tire is now a bargain. It is trading at a cheap forward price-to-earnings (P/E) ratio of 10.04 and is trading well below historical averages. In fact, it hasn't been this cheap since 2012.

Analysts are almost unanimous in their coverage on the company — 12 of 13 rate Canadian Tire a buy. Post-earnings, two analysts immediately increased their price targets on the stock. As of writing, analysts have a one-year price target of \$171 per share. This implies 20% upside from today's price of \$142.32 per share.

Foolish takeaway

Canadian Tire is one of those rare buy-and-forget stocks. It is also a rare triple threat. It is expected to grow by double digits, is a Canadian Dividend Aristocrat, and provides excellent value. This is a great company trading at a once-in-a-decade bargain price.

Don't wait long. The company's stock is nearing [oversold territory](#) and is due for a bounce.

CATEGORY

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2. Investing

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

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