



## This Retail Stock Pays a Juicy Dividend

### Description

**Canadian Tire** ([TSX:CTC.A](#)) is one of the most recognizable icons of the Canadian retail sector. Most Canadians have fond memories of going to “the Tire” to get anything from hockey equipment to a new bicycle or camping gear. The same could arguably be said for Canadian Tire’s other brands, such as Mark’s and Sport Chek.

Today, Canadian Tire is a compelling retail investment that is seeing strong growth from what has become a mobile-infused and highly competitive global retail market.

### What makes Canadian Tire so special?

[Few retailers are thriving](#) in the current market. Internet-based retailers and mobile commerce have decimated the traditional brick-and-mortar retail model. As a result, the traditional large showroom style retail floor is no longer feasible for most retailers.

To counter that threat, Canadian Tire has invested heavily in integrating technology into the sales process and establishing a portfolio of strong brands that are exclusively available to the retail giant.

Several examples of this include a driving simulator to try out new tires in different weather conditions as well as a treadmill that can recommend the best shoe to you after running a short distance. These are key advancements to the retail sector that actually use technology as part of the sales process and, more importantly, cannot be done online.

Then there’s the acquisition of Helly Hansen, which was completed earlier this year. While Canadian Tire already has a sporting goods brand, the Hansen deal brings with it a very successful online distribution business that ships to dozens of countries.

Coincidentally, serving international markets has always been a weak spot for Canadian Tire. Leveraging the success of Hansen and applying it to Canadian Tire’s other brands could, in theory, provide an additional salvo against that mobile threat.

## How well is Canadian Tire performing?

In 2019, Canadian Tire is trading nearly flat. Looking out over the trailing 12-month period shows the stock down 16%. Over a longer two-year period, those losses are reduced to just 3% over the current price.

In the most recent quarter, Canadian Tire saw consolidated retail sales increase by 3.3% over the same period last year to \$91.2 million. Consolidated revenue for the quarter also saw an increase to \$79.5 million, reflecting a 2.8% increase over last year.

Looking at the individual segments of the company, Canadian Tire's namesake brand saw comparable sales surge 7.1% in the quarter, resulting in the segment reporting a 20th consecutive quarter of growth.

Both Mark's and Sport Chek also saw comparable sales growth of 4.9% and 3.4%, respectively. Canadian Tire's financial services arm, which typically performs best during the winter quarter, witnessed sales spike 15.8% over the prior period to \$112.4 million.

Canadian Tire's second-quarter results, due later this year, should provide even more growth, as it is seasonally the second-best quarter for the company.

Finally, there's Canadian Tire's dividend. The quarterly dividend provides a very respectable 2.90% yield, which is not only solid but growing. The dividend has doubled in the past five years — the most recent annual uptick coming earlier this year.

When that dividend is coupled with the nearly 40% growth the stock has realized in that same five-year period a [compelling investment option](#) emerges that can't be ignored.

## Final thoughts

I usually try to avoid retail stocks, but there's something different about Canadian Tire. It could be the innovative approach in adopting technology that the company took, or it could be the moves taken by the company in recent years to establish a moat of strong brands to keep traffic and sales on an upward trajectory.

In any event, Canadian Tire remains a solid investment option to diversify any portfolio, and the retailer's appetizing dividend and the ongoing share-buyback program just sweeten the deal further.

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