



## Buy the Amazon of Canada

### Description

**Canadian Tire Corporation Limited** ([TSX:CTC-A](#)) provides a [range of retail goods and services](#) in Canada. The company operates through three segments: Retail, CT REIT, and Financial Services.

The Retail segment sells general merchandise, apparel, footwear, sporting equipment, gasoline, sporting goods and active wear, and workwear.

The CT REIT segment operates as a closed-end real estate investment trust that holds a several properties comprising Canadian Tire stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centres. The Financial Services segment provides financial services.

Canadian Tire Corporation is a [family of businesses](#) that includes Canadian Tire, PartSource, Petroleum, SportChek, Mark's and Helly Hansen.

The company's business model results in several distinct sources of revenue and is facing increased competition from new entrants as well as new opportunities from industry consolidation. International retailers that don't have brick-and-mortar stores in Canada are capturing sales from Canadian customers through e-commerce sites such as **Amazon**.

The company is experiencing challenges with new retailers entering Canada. Vendor-direct online and outlet-store sales channels also have recently started competing with the company's consumer brands both domestically and internationally.

Non-traditional market entrants and new technologies such as mobile payments have impacted the competitive landscape of the credit card industry.

Further, the company finds that competing retailers are partnering with financial institutions or negotiating special arrangements with credit card issuers.

In addition to the physical and online presence of other competitors in the marketplace, the

expectations of retail consumers are also changing rapidly, with retailers changing how they reach out to customers and encouraging them to shop in their stores and online.

Canadian Tire is also facing challenges with changing preferences of the company's customer base. Customers have become more technology-savvy and better informed with the recent advances in mobile technology and a changing Canadian demographic. The company has been affected by customers who are more price sensitive and compare prices online before making purchases.

Despite the challenges, however, Canadian Tire is well positioned in this competitive environment and has identified core capabilities that differentiate operations from those of competitors and that add value for the company's customers.

The company reported excellent Q3 2019 results with sales up 3.4% year to date. Financial services gross average credit card receivables was up 7.0% and earnings per share (EPS) increased by 1.5%.

Management are shareholder friendly and have steadily bought back company shares for several years and intend to repurchase a further \$350 million worth of shares by the end of 2020.

The company has steadily increased the dividend over the years, which now amounts annually to \$4.55 per share. Further, an operational efficiency program was recently announced to target \$200 million in annualized savings by 2022.

In summary, there is no doubt that the company faces significant challenges that question the viability of Canadian Tire's business model. That said, there is no company in Canada better equipped to deal with global e-commerce challenges than Canadian Tire.

Management are excellent capital allocators and are proactively dealing with company specific risks. The company trades at an inexpensive valuation and could outperform the **TSX** over the long term.

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1. Investing

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1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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