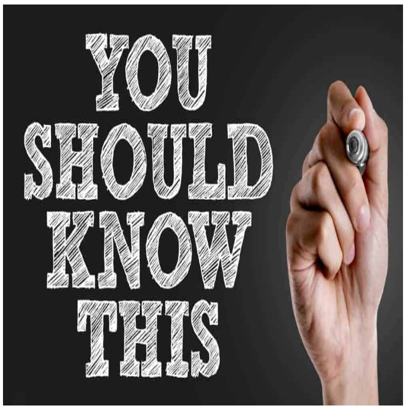

Canadian Tire (TSX:CTC.A): Should You Buy After Q1 Earnings?

Description

Canadian Tire (TSX:CTC.A) clocked in some brutal first-quarter numbers before the open on Thursday, with a wider-than-expected loss amid coronavirus-induced lockdowns.

Given how much damage had already been done to the stock going into the quarter (the stock essentially got cut in half from peak to trough), shares were relatively unscathed post-earnings, ending the day in the gray, down just 0.2%.

No surprise here: Canadian Tire blew a tire on coronavirus-plagued Q1 results

For the quarter, Canadian Tire clocked in $2.85 billion in revenue, down 1.6%, and a net loss of $0.22 per diluted share, down from the $1.12 reported over the same period last year. On a normalized basis, the firm reported a net loss of $7.8 million or a $0.13 loss per adjusted share.

Comparable store sales decreased by just 0.3%, which wasn't too horrific given the COVID-19 disruption. Heading into the second quarter, though, comps could decline much further as the full heat of lockdowns is felt.

Canadian Tire Financial Services was also a sore spot for Canadian Tire, with the credit card business looking quite sour amid the Canadian credit downturn, which has been exacerbated by coronavirus-induced economic damage.

There was some good news

While the quarterly results themselves were nothing to write home about, there were some bright spots that ought to make contrarian investors feel optimistic.

Online sales rocketed 80% at Canadian Tire and about 44% across all the firm's banners. Newly-appointed CEO Greg Hicks stated that the firm had seen a "quantum leap" with its e-commerce business, which had helped to offset a bit of pain that came with a traffic reduction at its brick-and-mortar stores.

What has me bullish on Canadian Tire at these depths is the fact that Canadian Tire noted that it had spent more on its digital platform, a part of the business that was lacking according to various Canadian Tire short-sellers.

While a more competitive e-commerce platform won't be able to offset lost sales at brick-and-mortar locations, as Canadian Tire's close physical proximity to the average Canadian is the source of its greatest competitive edge, a more robust digital presence will give the company the omni-channel presence it needs to thrive in the ever-evolving retail scene.

Canadian Tire's liquidity position remains robust as it navigates through the coronavirus typhoon that will continue to wreak havoc on brick-and-mortar retailers across the board. So, if you're worried about the pandemic spilling over into next year, you can put your bankruptcy fears to rest with Canada's most iconic retailer.

Foolish takeaway

With the first quarter out of the way, all eyes will be set on the lifting of lockdowns across the nation. I don't expect Canadians will flock back to brick-and-mortar stores in a hurry, but I do see brick-and-mortar traffic recovering at a slow and steady rate as various provinces reopen the economy in phases.

At the time of writing, shares of CTC.A trades at just 3.37 times book. Given that we're on the cusp of a reopening of the economy, the risk/reward trade-off in the Canadian Tire shares is looking pretty attractive for value investors looking to profit from an upside correction in one the hardest-hit retail stocks on the **TSX**.

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/26
Date Created
2020/05/09
Author
joefrenette