Below $100, This TSX Stock Is a Screaming Buy

Description

The coronavirus pandemic has had a significant impact on both the economy and **TSX** stocks. However, the effects being caused by this virus are not equal across the board.

Both in the economy and the stock market, certain businesses and industries are being disproportionately impacted.

And because these businesses are being impacted due to the nature of their industries, there isn't much that can be done to mitigate the effects. Some of these businesses include airlines, hospitality companies, restaurants, and retail.

Despite this impact, one retail stock has been a lot more resilient than the market expected.

Top TSX retail stock

Canadian Tire (TSX:CTC.A) has always been a top retail stock for its growth prospects. However, this pandemic has given the company a chance to show its resiliency.

The retail industry isn't new to disruptions. And a lot of these companies have been moving more of their focus to online shopping the last few years to get more competitive.

This coronavirus pandemic has given these retail companies a chance to see how they perform when online is the only environment to sell in.

This has helped Canadian Tire tremendously. The company has invested in its e-commerce business for years now. So, its superior e-commerce platform can help to drive sales.

Another factor that I believe has been leading to Canadian Tire's success is its integration. The numerous banners in its portfolio allow Canadian Tire to capture different segments of the market simultaneously.

When its non-essential stores were forced to close down in mid-March, the Canadian Tire stores (which predominantly sell consumer staples) have picked up the slack.

The increase to Canadian Tire's retail sales in the first quarter nearly fully offset the lost revenue from its other non-essential banners. This mitigation from its integrated businesses is one of the main reasons why Canadian Tire is the top TSX retail stock.

Canadian Tire's first-quarter results

In the first quarter, the top TSX stock did a lot better than I think many were expecting. Total revenue came in down only 1.6% from the same period one year ago. Although revenue held up better, its earnings before tax margin suffered quite substantially.

This is to be expected, however, and the margin pressure should start to ease as stores open back up, and we move back to a more normal operating environment in the second half of the year.

The fact that its total retail sales only declined by 1.8% from the year prior is extremely impressive. Plus, it goes to show just how resilient Canadain Tire's operations are.

Top TSX stock to buy today

Below $100 a share, the top TSX stock is still down roughly 40% from its 52-week high. This is substantial value, especially when you consider the relatively strong performance the company put on in the first quarter in a difficult operating environment.

Management is working on cost-saving initiatives to help shore up cash and improve its financial position. This is extremely important, because it left the dividend intact. And that dividend has a yield of roughly 4.9%, making it extremely attractive.

The one significant risk to Canadian Tire's business to watch is its financial services segment. So far, its financial services segment has remained robust, but it's definitely a risk to watch for investors, especially if we enter a recession in the near term.

Bottom line

Canadian Tire has always been a top TSX growth stock. However, now with its incredibly cheap stock price and an attractive 4.9% yield, the company is a triple-threat stock.

It offers a combination of growth potential and significant passive income and trades at a wonderful price. There aren't many TSX stocks as well positioned as Canadian Tire, so I'd act soon, because this discount likely won't last.

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