Market Crash Alert: Canadian Tire (TSX:CTC.A) Stock Down 40% Since February

Description

The COVID-19 pandemic has wreaked havoc on retailers all around the world. Retail companies such as **Canadian Tire** (TSX:CTC.A) have seen a massive decline in stock prices. Canadian Tire stock is currently trading at $97.5, which is 38% below its 52-week high of $157.36. It touched a 52-week low of $67.15 and has gained over 45% in the last two months.

The considerable decline has meant that the retail giant is trading at multi-year lows. So, let's see if the stock remains a buy at the current level.

Canadian Tire's Q1 results

Earlier this month, Canadian Tire announced its first-quarter results and reported revenue of $2.84 billion. This was 1.6% lower than its revenue of $2.9 billion in the prior-year quarter. Gross profit fell close to 6%, while net income fell a massive 87.5% year over year.

In Q1, comparable-store sales fell 0.3% which was not too bad given the disruption caused by the dreaded coronavirus. However, these numbers might move significantly lower in the June quarter.

As consumers are largely staying indoors, the shift to e-commerce has accelerated. Online sales for Canadian Tire were up 80%, and this figure stood at 44% across the company's other business banners. The lower footfall in brick-and-mortar stores has been offset by the company's thriving e-commerce segment.

Is the retail giant a good bet for 2020 and beyond?

Canadian Tire is one of the top brands in the country, which gives the firm a competitive edge. The company's sales should pick up in the second half of 2020, once lockdown restrictions are lifted, which should boost the stock price as well.

The recent decline in Canadian Tire's stock price has meant its trading at a forward yield of 4.7%. This means if you invest $10,000 in this stock, you will earn $470 in annual dividend payments. It declared quarterly dividends of $1.1375 per share, despite falling sales due to COVID-19.

In terms of valuation, Canadian Tire stock has a market cap of $6.3 billion. Its price-to-sales multiple is incredibly low at 0.41, and its price-to-book ratio of 1.4 makes it an attractive pick for value and contrarian investors.

Canadian Tire is an iconic brand and has several other banners under its portfolio. It sells a diversified portfolio of products, and this advantage was evident in the company's Q1 results. Its non-essential stores closed in mid-March, but the retailer still managed to offset a part of these sales by revenue from its flagship store that sells essential products.

Canadian Tire is one of the top stocks on the TSX. The company has managed to hold its own in an uncertain macro environment, despite lower consumer spending. Canadian Tire's low valuation, attractive dividend yield, and huge market presence in Canada make it a winning bet, given the recent pullback.

Analysts tracking Canadian Tire stock have a 12-month price target of $133, according to data from Yahoo! Finance. This indicates an upside potential of 36% from the current price.

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