



Young Investors: Canadian Tire (TSX:CTC.A) Looks Like a Top Retail Stock

Description

Canadian Tire ([TSX:CTC.A](#)) stock took a significant punch to the gut amid [coronavirus-induced lockdowns](#). Sales have taken a dip, and it seems as though the short-sellers who've targeted the company through 2019 were right all along, as shares continue tumbling into the abyss.

The iconic brick-and-mortar retailer has its fair share of challenges, but it has more than enough liquidity to survive this crisis, and that will put it in a spot to come roaring back come the next cyclical upswing.

Resilient enough to survive

Canadian Tire has done an exceptional job of adapting with the times with its continuously-improving e-commerce platform.

While digital sales are helping Canadian Tire better navigate through this unprecedented typhoon, I noted in prior pieces that Canadian Tire is one of few retailers that will always be brick-and-mortar at heart.

You see, Canadian Tire has an unmatched physical presence across the nation. It's the source of its greatest strength, and with various big-ticket items that make more sense to purchase in person (swing sets, tires, and all the sort), I find it unlikely that the firm will ever transition to being primarily an e-commerce retailer.

Unlike most other retailers, such as **Canada Goose**, which can seamlessly transition to digital sales amid these tough times, Canadian Tire will need to put up with sudden sales drops should further coronavirus-induced lockdowns happen over the duration of this pandemic.

Fortunately, Canadian Tire is resilient enough to deal with such massive headwinds. And once the economy reopens, I view Canadian Tire as one of the retail stocks that has the most upside.

Canadian Tire stock looks to be ridiculously undervalued

At the time of writing, Canadian Tire stock trades at 7.7 times enterprise value/EBITDA, 7.9 times cash flow, 0.44 times sales, and 1.5 times book, all of which are considerably lower than the firm's five-year historical average multiples of 8.93, 12.4, 0.8, and 2.14, respectively.

Based on traditional valuation metrics, Canadian Tire stock is the cheapest it's been in around eight years.

Foolish takeaway

If you're a younger investor with a long-term time horizon and a strong enough stomach to deal with coming volatility as CTC.A stock moves on news relating to the coronavirus; you may want to consider backing up the truck on shares of the battered retailer today.

The reopening of the Canadian economy will be a nice boon for Canadian Tire, but nobody knows whether such a reopening will be short lived or if there will be other bumps in the road that could lead to further wild swings in the broader markets.

"While nobody knows how smooth the road to re-opening [the economy](#) is going to be, I believe that Canadian Tire has among the most room to run as the world inches closer to normalcy," I said in a prior piece.

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