



Buy Canadian Tire (TSX:CTC.A) Before it Corrects Upwards

Description

Don't look now, but **Canadian Tire** ([TSX:CTC.A](#)) is [red hot](#), with shares now up 60% from their March lows. The ailing brick-and-mortar retailer had its fair share of [baggage](#) going into the coronavirus crisis and was among the first to be ditched to the curb in a rush to safety.

Following the unprecedented collapse in shares of Canadian Tire, I'd urged investors to be aggressive buyers of the stock, noting that the iconic retailer was ridiculously undervalued and was a top pick as the Canadian economy looked to reopen.

While the perfect time to get into the name was over a month ago, when I initially recommended buying on the dip, I still think there's considerable upside to be had as we inch closer towards normalcy.

Canadian Tire's resiliency in the face of a crisis ought to be applauded by investors

First, Canadian Tire had a rough first quarter. As expected, the coronavirus wreaked havoc on the results, with revenues falling subtly on a consolidated basis, with double-digit percentage drops across the SportChek and Mark's banners.

The financial services business also took a significant hit, but the damage wasn't nearly as bad as what many short-sellers were predicting back in 2019. The financial services business looked pretty stable relative to the Financial Crisis, despite having the one-two hit in the coronavirus crisis overlapping and the Canadian credit downturn.

I'm by no means bullish on Canadian Tire's financial services business, as it's of less-than-stellar credit quality, but I don't think the division should be seen as a major sore spot by investors.

With ample liquidity, Canadian Tire has what it takes to weather another wave of coronavirus cases. As the economy looks to recover, so too will sales at Canadian Tire and its subsidiaries. And if another wave of lockdowns hits us, I view Canadian Tire as well positioned to roll with the punches as they

come along.

Opinion: Brick-and-mortar retail will return to pre-pandemic levels a lot sooner than most think

A major selling point of brick-and-mortar retailers is the bear thesis that the coronavirus has profoundly altered the way consumers will view retail stores in the physical realm. It's the "death of the shopping mall" thesis on steroids, and I think the thesis is not only exaggerated, but it's also overblown beyond proportion.

We've heard such bold predictions before. In the lead up to the dot-com bubble burst, e-commerce was to decimate brick-and-mortar as we knew it. While many physical retailers that failed to adapt with the times did go under, a huge chunk did not. They simply adapted with the times, and they're alive and strong to this day.

The coronavirus will accelerate the move towards physical to digital. However, I expect some reversion to the mean when it comes to consumer habits. Consumers will head back to malls and retail shops like Canadian Tire in due time, as consumers take their business from online to offline. They'll gradually head to the shopping malls for that sought-after experiential factor that's only possible in a brick-and-mortar location. And Canadian Tire, I believe, will profoundly benefit from this shift given its wide physical presence across the country.

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