



Canadian Tire (TSX:CTC.A) Stock Could Bounce Back Massively Next Year!

Description

Canadian Tire Corp ([TSX:CTC.A](#)) stock got hit very hard in the COVID-19 market crash. Trading at \$147 on February 20th, it reached a low of \$73 by March 23. In February and March, most **TSX** stocks took a beating, as uncertainty about COVID-19 rattled investor confidence. However, Canadian Tire got beaten down worse than most, falling 52% to the TSX's 37%.

Since the COVID-19 market crash, the markets have recovered. **The S&P 500** soared back to all-time highs last month, and the TSX wasn't far behind. Canadian Tire, too, has walked off a lot of its COVID-19 losses. However, unlike many other stocks, it still hasn't climbed back to all-time highs. This makes the stock worth looking at, as it could bounce back dramatically if its business recovers.

Beaten down by COVID-19

The big reason why Canadian Tire got beaten down so badly in the COVID-19 market crash was because its business was uniquely vulnerable to the lockdown measures.

Like all brick and mortar retailers, CTC was affected by social distancing guidelines, but it had its own unique problems on top of that. First, the company operates a chain of gas stations, and gas sales/prices plummeted as the pandemic took away demand for travel. Second, many of Canadian Tire's retail offerings are also automotive-related, and those products took a hit for the same reason.

Third, several of the company's clothing stores were closed entirely in some cities, as non-essential businesses that couldn't justifiably be opened.

It all added up to some serious damage in the first quarter. In the quarter, diluted EPS came in at \$-0.22. Normalized EPS [came in at \\$-0.13](#). Revenue declined 2.7%, with petroleum being the main culprit. Share buybacks were paused. E-commerce revenue surged, but not enough to offset the damage in other areas of the business. All in all, it was a tough quarter.

Perfectly poised to bounce back

Despite how bad Canadian Tire's first quarter was, there are reasons to believe the stock will bounce back fairly quickly.

In fact, one business in particular—gas stations—could come back very soon. After bottoming in April, oil prices spent most of Q2 on the upswing, thanks to rising demand. As a result, Canadian Tire's petroleum sales could actually grow in the second quarter.

Presumably, much of its retail and clothing sales will be weak, as self-isolation orders remain in effect in several cities. However, CTC appears poised to make a partial recovery in Q2 followed by a more substantial one in Q3.

Foolish takeaway

For years, CTC has been a reliable Canadian [dividend stock](#), with high and rising payouts each and every year. In 2020, thanks to COVID-19, the company ran into its first major headwind in a long time.

There's no denying that Canadian Tire got hit hard by the pandemic. But it's well positioned to bounce back and resume its upward trajectory.

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