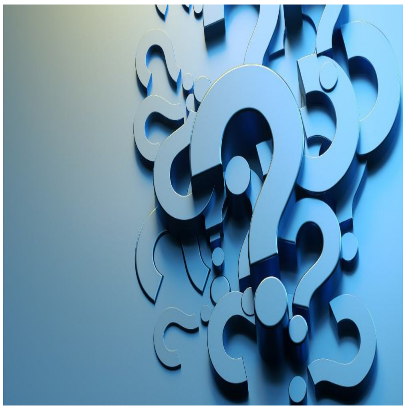

Canadian Tire (TSX:CTC.A) Just Saw Its e-Commerce Sales Soar 400%: Buy Now?

Description

Canadian Tire (TSX:CTC.A) shares fell 6.3% on Thursday following the release of some weak second-quarter results that saw a steeper quarterly loss of $0.33 per share. Revenues tanked 14% year-over-year, as many of the company's banners missed out on sales due to COVID-19-induced store closures.

While the results were rough, there were some encouraging bright spots. Most notably, e-commerce sales rose across the board, surging nearly 400% for the quarter. As the pandemic continues dragging on, it will be Canadian Tire's e-commerce business that will be doing even more heavy lifting, as it seeks to relieve more of the iconic Canadian company's sales pressures.

A tough quarter for Canadian Tire

The second quarter, as a whole, was quite weak, at least according to investors. There was no sugar-coating the numbers, as COVID-19 took a major toll, specifically across Canadian Tire's mall-based stores, including Mark's, Sport Chek, and Helly Hansen.

As the Canadian economy continues to reopen in phases, though, I see the potential for massive quarter-over-quarter (and even year-over-year) comps growth in the latter two quarters of the year.

Of course, another sudden resurgence of COVID-19 cases and further shutdowns could continue to weigh on Canadian Tire's sales numbers. But given progress with the company's e-commerce business, I wouldn't at all be surprised to see online sales begin to limit more of the sales pressures if a bear-case scenario were to pan out.

Does Canadian Tire's 400% e-commerce pop justify the 6.3% decline in the stock?

Canadian Tire's e-commerce business has been a sore spot for the company over the years. Heck, short-sellers targeted the company, noting that its online platform was less competitive than that of many of its peers.

While a lack of free shipping on various items does put Canadian Tire at a considerable disadvantage to many of its up-and-coming e-commerce counterparts, one can't help but notice the recent strength in the company's digital business. Maybe the short-sellers were wrong about Canadian Tire's frailties in the realm of the digital?

In any case, Canadian Tire's e-commerce strength, I believe, will remain well after this pandemic is over, and all stores are reopened for business. Many users have discovered how simple it is to order on the company's ever-improving digital platform, and many will order their goods online unless they're purchasing a big-ticket item that makes more sense to try before you buy.

Canadian Tire will always be a brick-and-mortar at heart. Its widespread national presence and close proximity to the average Canadian is the source of the company's moat. The real reason to own Canadian Tire stock, I believe, is the company's omnichannel presence, which will be tough for digital-only competitors to match.

You see, Canadian Tire has started selling a tonne of easily-shippable goods. But it also sells a lot of pricy, large discretionary items that are too expensive for consumers to have shipped and returned. With the perfect blend of e-commerce and brick-and-mortar, the iconic retailer could be a force to be reckoned with as it looks to rise out of this pandemic with a stronger digital presence.

Even if the pandemic worsens before it gets any better, Canadian Tire has the liquidity in place to keep rolling with the punches.

Foolish takeaway

With profound strength in e-commerce and what I thought was resilience amid the worst of the pandemic, I think Canadian Tire should have rallied and not sold-off 6% post-earnings.

I view the recent dip as nothing more than a buying opportunity for value investors looking for huge gains in the second half of 2020. In the meantime, there's a nice 3.8%-yielding dividend to collect as you go against the grain with one of Canada's most iconic companies.

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