



Canadian Tire (TSX:CTC.A): A Top Value Pick for TSX Investors

Description

Canadian Tire ([TSX:CTC.A](#)) stock is one of the few plays on the **TSX Index** that caters to both [value](#) and [momentum](#) investors. Shares of Canadian Tire are now up over 85% from their March lows. Still, the stock remains around 15% below its 52-week highs, with a valuation that's still quite depressed given its demonstrated resilience amid this crisis.

The company boasts a rock-solid balance sheet with enough financial flexibility to survive the pandemic and emerge on the other end roaring. With ample liquidity, any longer-term business erosion will be muted, and the firm may have an opportunity to scoop up a bargain to bolster to its already impressive roster of exclusive labels.

An iconic retailer that's in a class of its own

Yes, Canadian Tire is a brick-and-mortar retailer. But it's not like any other retailer that's just a sitting duck waiting to be shot down by up-and-coming e-commerce disruptors. Canadian Tire is an example of what legendary investor Phil Fisher and author of timeless investment book *Common Stocks and Uncommon Profits* would describe as a business that's "fortunate because it is able." Canadian Tire's management team has created its own luck by pivoting and changing its strategy to adapt to the new age of retail.

Canadian Tire has invested heavily in its e-commerce platform and paid significant dividends, keeping the company's top-line afloat amid coronavirus-induced shutdowns in the first half of the year. For the second quarter, the company saw its e-commerce sales skyrocket a whopping 400%.

While the firm's progress on its digital platform is remarkable, Canadian Tire's true strength is its physical presence. This strength, I believe, has been heavily discounted by investors and analysts alike. Many firms are discovering that the future of retail is not solely digital. The success of retailers in the future will be a robust omnichannel presence. In terms of the perfect blend of digital and physical, few firms can bring out the best in both worlds like Canadian Tire.

Once this pandemic concludes and people head back to shopping centres, we'll likely witness people

running back to physical retailers in droves. A considerable chunk of the goods that Canadian Tire sells are big-ticket items that ought to be tested before committing to a purchase.

What's the future of retail? And where will Canadian Tire stand?

Sure, you could have hiking boots, jackets, tires, and barbecues shipped to your door without having you see or try them out first. But if a given item isn't what one was expecting, a return will have to be initiated, which can be a massive pain in the neck for both consumers and retailers. (Call it a hidden risk of purchasing items online).

That's why the future of retail is both online and off. Once Canadian Tire can get its e-commerce platform up to speed, the iconic retailer could be one of the few traditional retailers that will evolve to become the best version of itself amid the continued rise in e-commerce. The company has a cherished brand and a tonne of trusted, exclusive-branded products that Canadians will continue buying, both in-store and online, for many decades to come.

The company demonstrated resilience amid the pandemic and deserves to trade at more than just 2.1 times book value and 0.6 times sales. If you seek momentum and value, look no further than Canadian Tire, a company that could break its all-time highs, as the Canadian economy inches closer toward normalcy.

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