



Why Canadian Tire Stock Is a Buy on Earnings

Description

Yesterday, **Canadian Tire Corp.** ([TSX:CTC.A](#)) released its fourth quarter and full year results. Shares of the company whip-sawed on the day, initially starting the day 3% higher, dipping 5% from the peak, and ending the day essentially flat.

Here's what investors are digesting right now with the company's recent earnings.

Excellent earnings beat

By all accounts, Canadian Tire had an excellent quarter. The company's CEO, Greg Hicks called the results "phenomenal" and "record breaking" in the earnings release.

Despite the headwinds Canadian Tire faced as a retailer battling the pandemic, same store sales grew by 13% in the fourth quarter. For the year, the number was nearly 10%. Additionally, seasonal Christmas sales were up more than 40% year over year. Considering the impact of the pandemic, these are truly incredible numbers for a retailer.

The real gem of a number was Canadian Tire's e-commerce performance. The company grew its e-commerce sales at a 179% clip year over year. Investors have long admired Canadian Tire for its focus on e-commerce (back when it wasn't as fashionable). Its strategic move in this direction has paid off in spades recently.

Total Q4 revenue increased to \$4.9 billion, making Canadian Tire's adjusted profit \$8.40 per share. Analysts expected only \$6.69 per share in adjusted profits on slightly lower revenue. Accordingly, this earnings beat was impressive all around.

Full-year 2020 results were just as impressive. The company grew its overall revenue, despite the pandemic, to \$14.9 billion, while profit remained relatively stable at around \$750 million this past year. Given that 2020 was the "year of the pandemic," I don't think investors could have hoped for better from this retailer.

National Sports stores closing

One of the key announcements that came out of this earnings release was news that Canadian Tire will be closing all National Sports stores. The company says this move is directed at streamlining the company's sporting goods portfolio. Canadian Tire made the move after conducting an internal evaluation of its business.

While these stores were performing well, Canadian Tire's management team appears to be focused on generating as much value for shareholders as possible. Indeed, the move was a prudent one, and investors should benefit long term from this sort of streamlining.

Bottom line

In the retail space, Canadian Tire continues to be one of my [top picks](#) for long-term investors. This stock has been hit by the pandemic, but has been incredibly resilient relative to its peers. Accordingly, I think this case study bodes well for long-term investors considering this stock right now.

Defensiveness is everything these days, and Canadian Tire provides this in droves.

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