Canadian Tire (TSX:CTC.A) Could Double in a Post-COVID World

Description

Canadian Tire (TSX:CTC.A) is an iconic Canadian retailer that really deserves a round of applause after showing incredible resilience through the worst of the 2020 coronavirus lockdowns. The company's e-commerce platform was a profound success that helped the firm weather the storm that may be about to end for good.

While shares of Canadian Tire have all but recovered, I still think there's much more upside if the post-COVID world experiences the discretionary spending boom that some see fuelling "the roaring '20s."

Now, I have no idea if we'll be in for the "roaring '20s," but given employment and consumer sentiment could come soaring back on the other side of this pandemic, I'd say now is a great time to bet big on the high-quality discretionary retailers that have perfected (or are in the process of perfecting) their omnichannel presence.

The future isn't just online. It's offline, too. And Canadian Tire is a retailer that has the edge when it comes to brick-and-mortar. It's said that the average Canadian is never too far away from the local Canadian Tire. And it's the retailer's deep penetration across the country that I view as its greatest strength. Once the economy reopens (hopefully for good this time), Canadian Tire could be one of the biggest beneficiaries and wouldn't at all be surprised to see its stock blast-off to new heights on the back of a post-COVID spending boom and continued strength in its e-commerce platform.

Canadian Tire short-sellers cried wolf when there was no wolf in sight

Just over a year ago, certain short-sellers slammed Canadian Tire for its inferior e-commerce platform and its financial services business. The retailer had more than its fair share of struggles, but after an incredibly resilient 2020, I think management has redeemed itself, proving the short-sellers wrong.

Canadian Tire’s financial service business is a steady ship. And there were signs that it’s getting even steadier, with provisions that weren’t at all as alarming as some shorts led investors to believe.

The e-commerce platform has been a profound success, and Canadian Tire will build upon its newfound strength with its much-improved online platform. The Triangle loyalty program is starting to pay dividends, and the push to exclusive private label brands is likely to be a major building block of the retailer’s moat moving forward.

With a sales growth re-acceleration that could be in the cards through early-2022, the stock is finally poised to breakout past the multi-year ceiling of resistance. The stock is far too cheap, given the catalysts that lie ahead and would encourage investors to continue accumulating shares while they’re still modestly valued.

Canadian Tire stock remains way too cheap

Shares trade at 13.7x earnings, 0.7 times sales, and 2.3 times book at the time of writing. Most sell-side analysts covering the name are quite bullish, with the average price target of $202, suggesting over 20% worth up upside from today’s levels.

If we are, in fact, due for “the roaring ’20s,” I do see a scenario where Canadian Tire stock can surpass the $300 mark over the next two to three years. Much is going right for the retailer, and if it can finally get some tailwinds to its back, there’s no telling how much higher the Canadian icon can soar.

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Date
2025/08/20

Date Created
2021/03/04
Author
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