



Today's Top Buy: Canadian Tire

Description

Canadian Tire ([TSX:CTC.A](#)) recently released its fourth-quarter and full-year earnings results. The company reported that its comparable sales grew by 12.8% and 2020 e-commerce sales across all retail banners jumped a massive 183%. Following a strong earnings call, Canadian Tire is one of my top picks right now for long-term investors looking for value, growth, and income in the retail sector.

Sustained e-commerce growth facilitated outstanding fourth-quarter results for Canadian Tire

Canadian Tire primarily deals in three sectors: traditional brick-and-mortar retail, e-commerce, and financial services. Like most retailers, Canadian Tire was also expectedly impacted by nationwide lockdowns and store closures. However, easier accessibility, along with consumer-friendliness, led to an exponential growth of its e-commerce section.

The recently concluded earnings call highlighted the strong omni-channel performance in the fourth quarter, which drove Canadian Tire's comparable sales higher by 9.5%. E-commerce sales this quarter grew by a massive 142%, with penetration rates doubling from 2019 levels. Digital visits across the retail banners grew by almost 50% to over 230 million visits.

Here are three highlights I think that best reflect this growth:

- Strong e-commerce sales in Mark's Work Warehouse: The segment delivered strong comparable sales of 7.6%, along with a strong performance of national brands.
- SportChek's performance: Comparable sales growth declined by 3%. However, over 600,000 new members joined the Triangle program. This contributed to approximately \$168 million in sales.
- Consolidated retail sales increased \$985.4 million: This represents 6.2% growth compared to the previous year.

Brick-and-mortar locations played a massive role in this e-commerce growth

Canadian Tire CEO Greg Hicks recently discussed these results as well as the future of global retail. He highlighted the importance of pickup services changing how customers interact with e-commerce.

This, I think, is a key differentiating factor with Canadian Tire.

Indeed, Canadian Tire has effectively used brick-and-mortar stores to fill online orders. This has allowed the company to increase its e-commerce capacity faster than its competitors. Indeed, using a combination of physical stores and e-commerce is a smart strategy. Customers want precise control over what they are purchasing and from where. Canadian Tire is giving its customers what they want.

Additionally, another trend that I think will boost Canadian Tire's top-line growth over time is a surge in demand for sporting goods, home-improvement products, and kitchenware in the post-pandemic world. Indeed, doing so in a profitable way is important. I think the company's progress toward eliminating \$200 million in costs out of its business by 2022 is very enticing to investors.

Bottom line

To increase liquidity, the company secured \$650 million in credit from four Canadian financial institutions along with its existing funding channels. A strong earnings call has cemented the thesis that Canadian Tire is one of the best companies to own in the retail space. Its e-commerce presence is strong and is likely to drive new highs over time.

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