



The Best Is Yet to Come for Canada's Top E-Commerce Stock

Description

Last year was unquestionably difficult for **Canadian Tire** ([TSX:CTC.A](#)). The challenges of fiscal 2020 impacted all parts of the company's business. However, Canadian Tire's core retail segment proved integral, safely providing the products and services Canadians needed throughout the pandemic. The company's retail sales, excluding petroleum, [grew a remarkable 11%](#) in the year.

Improving the company's operating leverage

Further, Canadian Tire continues to make progress in improving the company's [operating leverage](#), a goal of the company's operational efficiency program and achieved an impressive 15.7% growth in normalized retail income before tax. While the first two quarters of the year were significantly impacted by the pandemic, Canadian Tire's team drove outstanding results in the second half, with earnings per share (EPS) eclipsing 2019's full-year performance and growing 48% year over year.

Navigating remarkably

In addition, Canadian Tire's full-year normalized diluted EPS was \$13.00, essentially flat to the 2019 level of \$13.04. At the onset of the pandemic, there were questions about the risk in Canadian Tire's financial services portfolio, but the company's team appears to have navigated remarkably.

Demonstrating risk management capabilities and access to multiple sources of liquidity

With demonstrated risk management capabilities, access to multiple sources of liquidity, and a robust provision for potential credit losses, Canadian Tire entered fiscal 2021 prepared for the future. Canadian Tire also welcomed 1.8 million new members into the company's Triangle Rewards credit card and loyalty program in 2020.

The right assortment of products

Also, the crisis reintroduced many Canadians to Canadian Tire. The real opportunity now for Canadian Tire is to engage with and prove to new members that the company has the right assortment of products for life in Canada. Canadian Tire's omnichannel presence also enables shopping where and how customers want.

Outperforming differentiated owned brands portfolio

Additionally, customers have experienced new ways of shopping Canadian Tire's family of companies, and the company's eCommerce business has now grown to \$1.6 billion. This represents a 183% increase over the prior year. Canadian Tire's differentiated owned brands portfolio has performed extremely well, with penetration across the business now at 37%.

Demonstrated resiliency and a strengthening core business

Furthermore, Canadian Tire's Helly Hansen business has also demonstrated resiliency and is strengthening Canadian Tire's core business by differentiating the company's positioning at SportChek and Marks. Canadian Tire has indicated that it sees a long growth runway in the United States and internationally.

Capacity to absorb impacts of an uncertain environment

Foundational to Canadian Tire's resilience is the company's capital strength. With \$2 billion in cash and short-term investments, and \$3 billion, \$3.9 billion, and \$299 million in liquidity at the company's retail, financial services, and real estate investment trust (REIT) segments, respectively, Canadian Tire has the capacity to absorb impacts of an uncertain environment while retaining the flexibility to invest and grow in areas of strategic importance.

Focused on accelerating the shift to greater digitization and delivering relevant experiences

Additionally, in November of fiscal 2021, Canadian Tire approved a 3.3% increase in the company's annual dividend, reflecting 11 years of consecutive increases. Despite the challenging retail environment, Canadian Tire appears to remain focused on accelerating the company's shift to greater digitization and delivering relevant experiences for customers.

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