# Canadian Tire Stock: A 100-Year-Old Retailer With Attractive Upside

### Description

Market corrections are something to be feared by some, but for longer-term thinkers, they're an opportunity. Indeed, the biggest down days tend to precede some of the biggest up days. We witnessed this over the past two-and-a-half weeks, when the stock market sharply surged in a "melt-up" of sorts. Those who lowered the bar or saw stocks plunging lower probably did zero buying, and they weren't given much of a chance to buy when the stock market ricocheted off bottom.



That's why buying when pain is at its maximum is a good idea when it comes to value plays on your radar that are well below a price you'd be willing to buy.

There's no question that buying corrections or bear market plunges is hard. But nobody said investing is an easy game. If it were, everyone would be beating the market. To improve your chances of doing such, you need to zig as others zag. Buy when there's fear, sell when there's a bit too much euphoria on the Street, especially with those "story" stocks that make nil on the earnings front!

## Time to prefer actual cash flows and value over stories

In an era where value and profits outshine "stories" and promises of huge earnings way into the future (10+ years for certain companies), I believe good old-fashioned cash-flow generators are better buys than the damaged goods in the speculative tech sector that may or may not be in the bargain bin right now.

With rates on the ascent, it's hard to tell if the likes of a **Peloton** is actually cheap, or if it's ripe for disruption and a further valuation reset, perhaps to much lower lows. Peloton shed over 75% of its value, but don't think for one second that it can't fall another 20% or even 40% from here. Catching bottoms is hard. And most beginners would be best served by sticking with boring value companies. The kind that have robust cash flows and resilient earnings.

Today, **Canadian Tire** (TSX:CTC.A) seems to be screaming value in the retail space.

# Canadian Tire

Canadian Tire is the legendary retailer that's about to turn 100 years old. Indeed, it's one of the oldest and most cherished homegrown businesses. And it's looking significantly discounted today at just 10.5 times trailing earnings. The 2.7% dividend yield is poised to grow, even if we're due to hit a slump in the economy in the back half of the year due to rate hikes.

I believe that 2020 showed everybody just how much staying power the 100-year-old retailer has. It's invested in e-commerce without taking away from the brick-and-mortar experience. With the inclusion of new exclusive brands and a hot loyalty program in Triangle, the company has never looked better equipped to take share on its home turf. The $12 billion company may be old, but it's hardly done growing. Although a value stock, I'd argue that Canadian Tire's growth story isn't at all lacking. If you value profitability, that is!

After seeing its COVID rally end in a bear market flop, I think the stock is ready to move higher again for those who missed the big 2020 dip. It's one of few cash cows that can get cheaper as shares rise. For that reason, I would not hesitate to buy here and on any pullbacks relating to recession fears or macro concerns.



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joefrenette