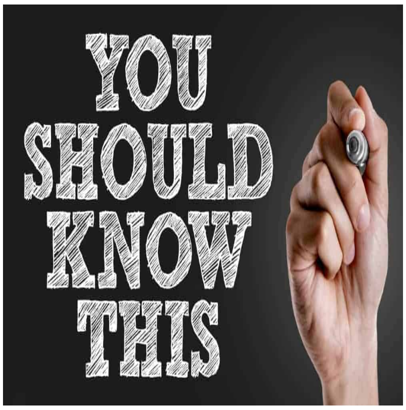

Why You Really Should Buy Canadian Tire (TSX:CTC.A)

Description

Investors tend to steer clear of most of the traditional brick-and-mortar retailers. While there are many contributing factors to that, most stem from the take-off of mobile commerce. Surprisingly, there's one retailer that is the exception to that rule, **Canadian Tire** (TSX:CTC.A). Here's a look at why prospective investors should buy Canadian Tire.

What's so different about Canadian Tire?

I don't often recommend a traditional brick-and-mortar retailer, but then again, Canadian Tire is no ordinary retail stock. Canadian Tire is one of the oldest and most unique retailers in Canada. The company holds fond memories for most of us, resonating as that one-stop shop for everything, and not just during the holiday season.

Today's Canadian Tire is so much more. The company now encompasses several different brands and has a growing exposure that includes a growing online presence. Some of those brands include Mark's, and SportChek. Canadian Tire has managed to expand its portfolio while staying true to its roots as a local retailer. In-store, Canadian Tire's use of technology as an aid to the sales process, rather than a gimmick, is noteworthy too.

Driving simulators that let you try out tires in different weather conditions, and treadmills that recommend the right shoe are notable examples.

Canadian Tire has also worked hard to establish some of its exclusive brands in different retail areas. The company's Triangle rewards program has also proved to be extremely popular.

In case you're wondering, those exclusive brands, which are only available in stores and online, represent an attempt by the company to create a defensive moat. And that defensive moat is targeted against online-only retailers.

In short, Canadian Tire is a multi-channel, multi-brand behemoth involved in multiple segments of the market. More importantly, it's working.

In the most recent quarter, Canadian Tire saw comparable sales surge 9.8% over the same period in fiscal 2020. Both SportChek and Mark's saw similar surges of 15.9% and 15%, respectively.

Despite those positive developments, Canadian Tire still trades at a relatively low price-to-earnings multiple of just 10.55, making the company a viable value option too. That may be reason enough for investors thinking whether they should buy Canadian Tire.

Here's one final reason to consider the Tire

As with all things relating to Canadian Tire, the retailer differs from most of its peers in another way - dividends. Canadian Tire offers investors a tasty quarterly dividend that currently works out to a yield of 2.57%. Even better, the retailer has provided a series of bumps to that payout over the years.

Coincidentally, the most recent uptick announcement came earlier this week, which will see the June dividend bump to $1.30 per share. This is in keeping with the company's precedent of providing annual handsome bumps.

In fact, prospective investors should note that Canadian Tire's dividend has shot up in the past decade from $1.10 to what will be $5.30 as of June. And despite that incredible surge, that dividend remains well covered.

You should buy Canadian Tire

While no investment is without risk, Canadian Tire is a great retail option for nearly every portfolio. The company runs a solid business, across multiple brands and channels. Canadian Tire also pays out a handsome and growing dividend.

In my opinion, yes, you should buy Canadian Tire. A small position is warranted as part of a larger, well-diversified portfolio.

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