Should You Buy Canadian Tire (TSX:CTC.A) Stock at These Levels?

Description

Financial markets have been rough this year. Stocks are witnessing more significant price swings amid the rising inflation this year. However, some stocks trade slowly and safely, even if broader markets are going through turmoil. Canadian retailer **Canadian Tire** (TSX:CTC.A) is one such stock that stays relatively resilient in all kinds of markets. It has returned 5% this year, beating the **TSX Composite Index**.

What's next for Canadian Tire stock?

An $11 billion Canadian Tire operates at over 1,741 locations. Its wide presence, diversified product range, and omnichannel existence make it stand tall in the sector and play well for its stable financial growth.

The company reported a little over 3% CAGR for revenues and 8% CAGR for net income in the last decade. Retail companies generally grow slowly, and thus, they are low-risk, modest return alternatives for investors. Canadian Tire stock returned 13% on average in the last decade, notably beating TSX stocks at large.

Interestingly, there is a reason to consider Canadian Tire now. The company is starting a new chapter with its strategic growth initiatives for the next five years. It plans to invest $3.4 billion to strengthen its omnichannel operations over the next four years. In addition, it has seen encouraging growth in its digital operations amid the pandemic.

Stable growth and capex plans

The increased capital expenditures will likely accelerate its revenue growth and per-share earnings growth. Its revenues are expected to increase 4% annually through 2025, and EPS is forecasted to double from 2019 levels.

Canadian Tire will expand its Triangle Rewards loyalty program to facilitate data-led personalized marketing. Triangle is the company's rewards program that lets its customers collect and redeem points at Canadian Tire Retail, SportChek, and participating Mark's and Atmosphere locations. In addition, it intends to launch 12,000 new products under owned brands across all banners.

Canadian Tire could see faster growth amid the new expansion plan for the next few years. It pays a stable dividend that yield 2.8% at the moment. The yield is not that great, but still, an investor can generate a decent stable passive income for the long term.

Canadian Tire paid a $4.83 per share dividend last year from a $0.84-per-share dividend in 2010. That's a handsome jump of 17% CAGR. Also, consistently increasing dividends indicate the management's confidence in the company's future earnings. So, it looks like an attractive low-risk investment proposition from a total-return perspective.

Interestingly, CTC stock is trading at 10 times its earnings and does not look expensive from the valuation perspective. That's lower than its five-year historical average of 14, indicating a decent growth potential for the future.

Bottom line

Canadian Tire will likely see accelerated financial growth in the next few years amid its new growth plans and economic re-openings post-pandemic. Its presence, in both physical and digital forms, should bode well for financial and operational growth in the long term. So, if you are looking for stable growth with a relatively lower risk, Canadian Tire should be on top of your watchlist.

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