Canadian Tire Stock Rises on Strong Profit: Dividend Boost

Description

Canadian Tire (TSX:CTC.A) shares rose slightly on Thursday, as the company announced its first-quarter earnings results.

- Canadian Tire stock raised its dividend by 25% for the quarter to $1.625 per share.
- Revenue totaled $3.84 billion, up from $3.32 billion the year before.
- Sales grew by 4.5% for Canadian Tire, with its Mark's and SportChek stores up 17.1% and 10.2%, respectively.
- The company almost doubled analyst estimates of $1.77 earnings per share (EPS), announcing $3.06 EPS.

What happened for Canadian Tire Stock in Q1?

Canadian Tire stock beat out analyst estimates for the first quarter of 2022. Many thought sales would start to slow with the economic downturn and e-commerce growth stalling. Instead, the company reported an EPS of $3.03 — 72% higher than estimates of $1.77 and 18% higher than last year's EPS.

Revenue came in at $3.84 billion for the quarter, an increase of 16% year over year. Meanwhile, sales increased 4.5% at Canadian Tire retail locations, 17.1% at its Mark's banner, and 10.2% at its SportChek stores. Consolidated comparable sales increased by 6.3% for the company.

This led management to be confident in a 25% dividend boost, bringing up the company's dividend from $1.30 per share annually to $1.625.

What did Canadian Tire management say?

Management stated its execution of its "Better Connected" strategy was working well. The company continues to find long-term growth by integrating their banners, such as Mark's and SportChek, and "bolstering our omnichannel capabilities."

The company continues to find ways of wading through rough waters. Canadian Tire stock management remained committed to keep up with supply demand, especially as we head into summer. And its new Financial Services business also helped as Canadians return to travel.

> “We delivered a strong first quarter against exceptional results in Q1 last year. Our growth in sales continues to be driven by our highly relevant, unique multi-category assortment across our banners. Comparable store sales were up significantly, with outstanding performances at SportChek, as more families returned to hockey and skiing, and at Mark’s, which achieved growth across all categories in both national and owned brands. Additionally, our Financial Services business saw growth in new accounts and receivables as Canadians spent more on travel and entertainment.”
> *Greg Hicks, president and CEO, Canadian Tire Corporation.*

What’s next for Canadian Tire stock?

Analysts are likely pleasantly surprised by the solid position Canadian Tire stock found itself in. The first quarter is traditionally a light one, and that should have been the case here — especially as the beginning of the year saw a huge drop in spending as inflation and interest rates increased.

Yet it seems Canadian Tire stock managed to keep up with demand, and that could have allowed them to keep prices low. They have their own warehouses, allowing them to stockpile products that consumers need. Having them on hand before others gave them an advantage across all their banners.

Still, analysts fear inflation could catch up with Canadian Tire stock eventually. And that could see a drop in revenue in the next few quarters. This is something every company is dealing with however, and not likely to last long. Therefore, analysts continue to believe the stock will outperform over the next year.

Shares of Canadian Tire stock were up 2% on Thursday, with analysts providing a consensus target price of $226.

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alegatewolfe