



Better Buy: Couche-Tard Stock vs. Canadian Tire

Description

Both **Alimentation Couche-Tard** ([TSX:ATD](#)) and **Canadian Tire** ([TSX:CTC.A](#)) are specialty retailers under the consumer cyclical category. The former has been a much better performer over different periods. For example, Couche-Tard stock's 10-year total returns are 22.9% per year — more than double Canadian Tire stock's returns of 10.5% annually in the period.

Consider the graphs below to see the action of both stocks across different periods.

Two retail stocks of different worlds

Couche-Tard's recent returns continue to outperform Canadian Tire's returns. Year to date, ATD stock has returned about 16.6%, while Canadian Tire stock has returned roughly -12.2%. Although both are specialty retailers, they're very different companies.

Couche-Tard is a convenience store consolidator with a broad, global scale. It has a presence in 24 countries or territories. Most of its locations also include road transportation fuel, which helps drive traffic to its stores. It earns about 66% of its revenues in the United States.

The retailer sells time and convenience. Approximately 80% of its in-store merchandise is consumed within an hour of purchase. Management has a strong track record of generating quality cash flow and reinvesting it in mergers and acquisitions. Going forward, the company still sees a significant runway with global opportunities, particularly in the U.S. and Asia.

Canadian Tire is a markedly different kind of specialty retailer. Other than Canadian Tire, the retailer's brands include SportChek, Mark's, Party City, Helly Hansen, Atmosphere, Sports Experts, PartSource (an auto part chain), and Gas+ (a gasoline retailer). Its retail revenue makes up about 90% of its total revenue. It also offers financial services (such as credit cards) and owns a stake in **CT REIT**.

Canadian Tire's product mix primarily consists of durable and discretionary goods. The demand for this type of product tends to weaken during economic contractions, which is the type of environment that we're heading into. **RBC** and other experts believe a recession will descend upon Canada in 2023,

potentially as soon as the first quarter.

Valuation

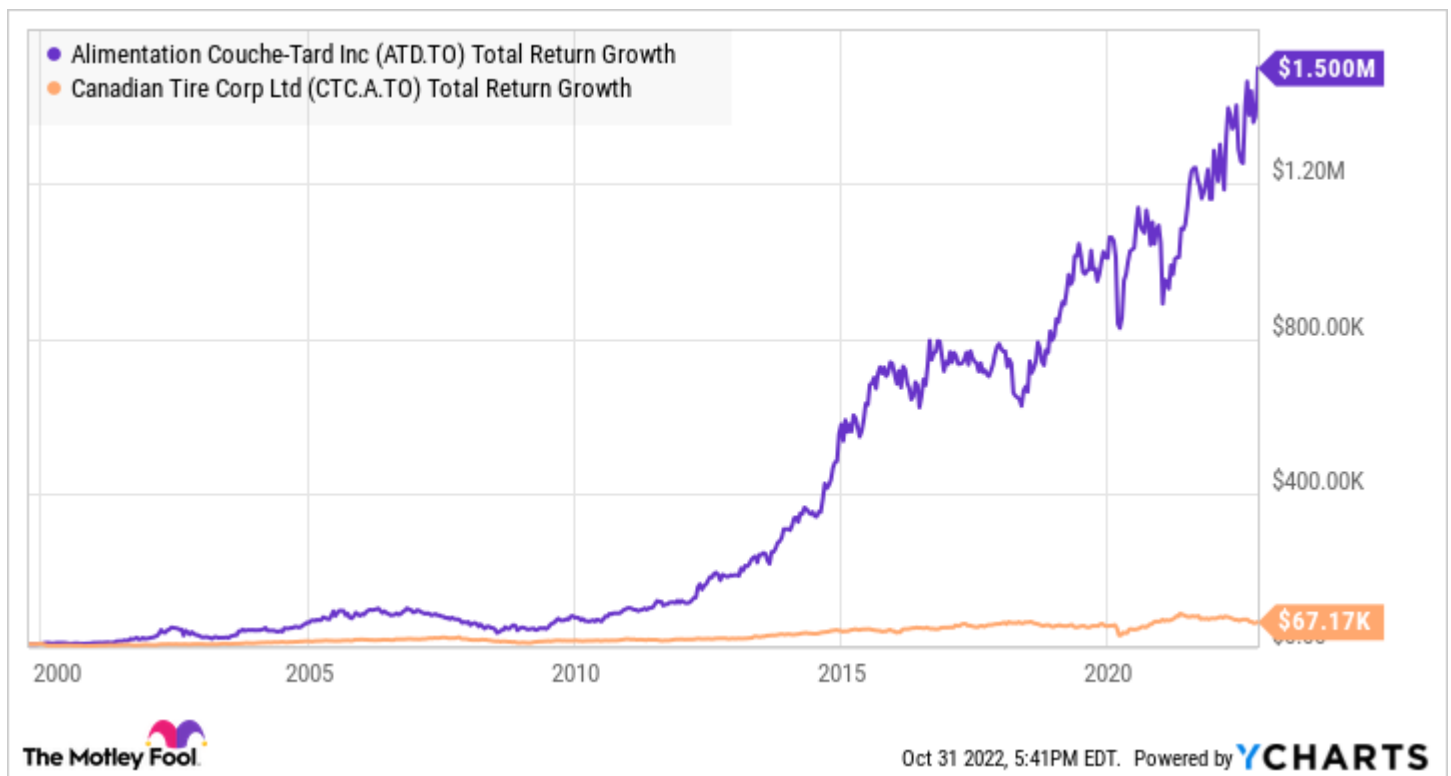
Because they're a different type of retailer with a unique set of product mix, Couche-Tard enjoys a premium valuation. ATD stock trades at about 17 times earnings at \$61 per share at writing. At \$152.69 per share at writing, Canadian Tire stock trades at a depressed valuation of about 8.3 times earnings. Their current valuations suggest that Couche-Tard remains a growth stock, while Canadian Tire is a value stock.

Dividends

Both [dividend stocks](#) are Canadian Dividend Aristocrats. Couche-Tard's 10-year dividend-growth rate is 25.1%. Canadian Tire stock's dividend-growth rate is 15.6% in this period. As a growth stock, Couche-Tard pays out a smaller yield of 0.7% versus Canadian Tire's decent dividend yield of 4.3%. Both dividends are sustainable.

The Foolish investor takeaway

A picture speaks a thousand words. Here's a graph showing how an initial investment of \$10,000 have grown in both [retail stocks](#) over the years. Long-term investors that have stayed with Couche-Tard stock could have become millionaires! The same can't be said for Canadian Tire investors. Consequently, for long-term investors who seek total returns, Couche-Tard is likely a better buy.



ATD and CTC.A Total Return Level data by YCharts

That said, investors who need income now might still choose Canadian Tire over Couche-Tard.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:CTC.A (Canadian Tire Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/26

Date Created

2022/11/01

Author

kayng

default watermark

default watermark