



## The Best Overlooked Retail Stock That's Right Under Your Nose

### Description

After what investors had been through in 2022, no wonder many are taking a more cautious approach to picking and investing in stocks. Analysts predict that 2023 is going to be better but there are still uncertainties lurking in the background. High inflation, increasing interest rates, and the possibility of a recession has undoubtedly made the market gloomy.

However, as per Mastercard Reports, retail sales bounced back this past holiday season. Investors will note that retail sales [grew](#) 7.6% year over year, which was higher than the 7.1% predicted by analysts. Factors such as large discounts, a resilient labour market, and steady growth in wages will certainly boost consumer spending, which will, in turn, fuel retail growth.

In such circumstances, you can consider investing in this overlooked but high-quality retail stock.

### A retail stock with a dividend worth buying into

As far as dividends are concerned, **Canadian Tire** ([TSX:CTC.A](#)) remains one of the best retailers to consider in this market. The company will enhance its dividend to \$1.73 on March 1. Its [dividend yield](#) is 4.3%, which is higher than the industry standard, and the company's current payout ratio is over nine.

This dividend was comfortably covered by Canadian Tire's earnings prior to this announcement, but free cash flows were negative. One should be cautious about depending on the sustainability of the dividend payment because, cash flow, in general, is more significant than earnings.

Analysts anticipate earnings per share to increase more than 33% this year. If the dividend follows its present course, this would lead to a payout ratio around 31%, which is within a fairly sustainable range.

The most recent fiscal year payout was \$6.90, and the average payment for the previous 10 years has grown substantially. The company paid out only \$1.20 in 2012, suggesting a 10-year average annual dividend-growth rate of around 19%. As you can see, dividend payments have maintained a really excellent rising trend without halting, giving some comfort that subsequent payments will similarly be

trustworthy.

## A company with a noble cause

Since 2005, Canadian Tire Jumpstart Charities (Jumpstart), which is an organization dedicated to providing underprivileged children access to sport and recreation, has assisted over three million children across Canada.

All general and administrative costs for Jumpstart are covered by the kind assistance of Canadian Tire, which ensures that all donations go directly toward enabling children to participate in sports and play.

Jumpstart provides opportunities for the young generation to participate in various sports through a variety of individual and community-level funding, collaborations, and operations through 289 local Chapters in towns all over the country. Jumpstart has given away nearly \$247 million since 2005 to help Canadian children in need participate in sports, including a \$20 million Sport Relief Fund to support local sports.

Thus, this is a top retailer to consider not only because of its impressive dividend, but the good work it does in the community.

### CATEGORY

1. Investing

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