

Canadian Tire (CTC) at its core is a general merchandiser of everyday goods including home products, sports equipment, renovation materials/tools, apparel and gasoline.

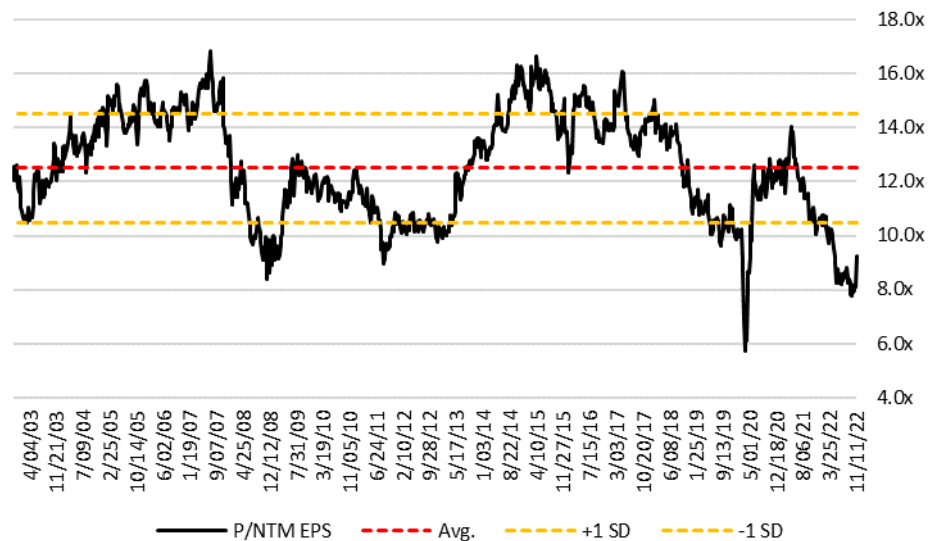
Thesis

- Manages own credit card business, Triangle Rewards, through partnership with Scotiabank, owns 69% of CT REIT, which owns the bulk of CTC’s real estate
- Believe management can navigate short-term pressures from input cost inflation, freight inflation and potential for a continued spending pattern shift. Like management’s focus on enhancing digital offerings and advertising capabilities
- Increased focus on driving penetration of CTC’s owned brands should improve the company’s sales mix and drive margin expansion

Opportunity

- Throughout COVID-19, CTC saw dramatic increases in its stock price as the company benefited from increased consumer spending on home-improvement items, household appliances, and at-home recreational activities
- Stock price since declined from these highs, opportunity to add at P/NTM EPS of ~8x vs. long-term average ~12x
- We think the company can generate a normalized ROE of ~15%, which has scope to go higher in the years to come as normalized earnings can grow at a mid-to-high single digit rate
- Attractive dividend yield of 4.4% and buying back considerable amounts of stock

Canadian Tire Price to Next-Twelve-Months Earnings Per Share



Source: FactSet & Sionna Estimates. 2022.

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