



The Home Country Bias

Installment 3 | June 2025

“We are here to make life in Canada better.”

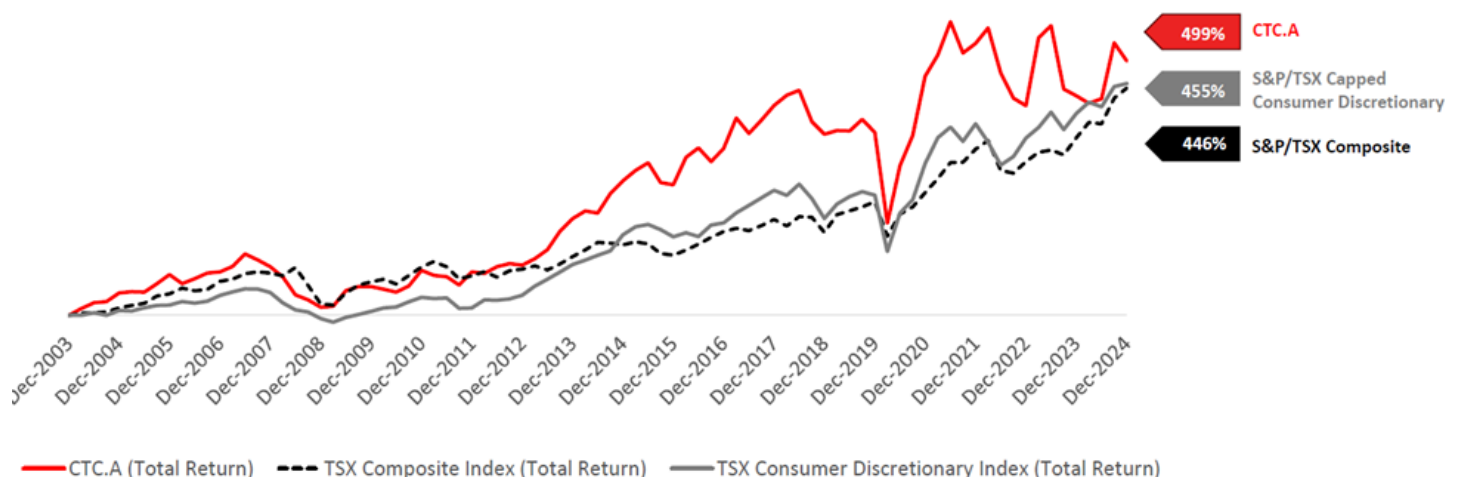
Canadian Tire (CTC) requires little introduction. As you prepare for the warm summer months, we’d garner a guess that you’ve made a trip to your local Canadian Tire in search of a new barbeque, patio furniture, or the endless amount of soil you seem to use when embarking on a new gardening project. We would also bet that you made at least one trip there during the winter months to stock up on salt for your driveway, replace the snow shovel that finally broke or to refresh your holiday décor.

When President Donald Trump began threatening Canada’s sovereignty and started an inflationary trade war, Canadian consumers quickly embraced the “Buy Canada” movement, which Canadian Tire is squarely in the crosshairs of. By the end of February, 82% of Canadians surveyed planned to buy more Canadian products, up from 78% at the beginning of the month and 69% of customers planned to boycott U.S. products, up from 59% at the beginning of February[1].

The “Buy Canada” movement, paired with resilient consumer spending, targeted merchandising on behalf of CTC’s team, an expanded loyalty offering, and meaningful buyback activity, has pushed CTC’s stock up a quiet 18% year to date [2]. Over the last two decades, CTC has delivered attractive returns to shareholders relative to the consumer discretionary sector and the Index overall.

Relative Total Returns Performance

Indexed to December 31, 2003



Source: Canadian Tire. “CTC Investor Factbook Presentation”. March 2025.

Not all Canadian Tire's success is due to the "luck" of being the quintessential Canadian retailer at a time of elevated patriotism. Canadian Tire has been working hard to build resilience into its business model by diversifying its supplier base, which is becoming increasingly sourced from vendors in Canada. It has also built resilience by improving its financial position following the sale of Helly Hansen and the sale of its Brampton, Ontario distribution facility. These actions, in addition to becoming more selective on credit card issuance within CTC Financial Services, has served CTC well in the recently soft consumer environment.

Along with the tailwind of the "Buy Canada" movement and defensive moves to build resilience, CTC has also been going on the offensive with two new loyalty deals inked with RBC and WestJet. These allow customers to earn both Triangle Rewards and either WestJet dollars or RBC Avion points. The loyalty program is very valuable to CTC's business – Triangle members shop more frequently, have larger basket sizes, and generate important data and insights for CTC to better target advertisements. Finally, what could be more on brand than CTC buying the intellectual property of the Hudson's Bay Company, including the quintessentially Canadian stripes?

Canadian Tire is a core holding across many of our strategies. It has an iconic brand, is operating the business well in a tough environment, allocating and returning capital effectively. We believe that despite the recently strong share price performance, CTC is set up well for long-term outperformance. Pair that with a still discounted valuation and it leaves us with a lot to like about this home-grown Canadian business.

-The Sionna Team

References

[1] <https://www.angusreid.com/wp-content/uploads/2025/02/V1-Tariffs-First-Tracking-Feb-25-Canada-Free-Report-Final.pdf>

[2] Total return through to May 31, 2025.

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