



Is Richelieu Hardware Ltd. Canada's Best Kept Secret?

Description

A portfolio manager once called **Richelieu Hardware Ltd.** ([TSX:RCH](#)) one of Canada's best kept secrets. The retailer is becoming better known, thanks to a series of acquisitions in 2014, and the stock price has gained nearly 30% over the past year, recently hitting a new 52-week high.

The specialty hardware company imports, distributes, and manufacturers products such as lighting and decorative hardware for kitchens and bathrooms. Richelieu offers customers a mix of high-end specialty products from manufacturers around the world. It has 66 retail centres in North America, including 36 distribution centres in Canada, 28 in the United States, and two manufacturing plants in Canada: Cedan Industries Inc. and Menuiserie des Pins Ltée.

In 2014 Richelieu invested \$15.4 million, of which, \$9.9 million went to the acquisitions of the assets of Pleasantside, CabinetWare, and Thruway, to all the common shares of Procraft and XM, and \$5.5 million went to equipment needed for operations.

Richelieu recently released its first-quarter earnings report, posting consolidated sales of \$159.3 million compared with \$136.1 million for the first quarter of 2014, an increase of 17%. Canadian sales totaled \$107.7 million in the quarter ending February 28, 2015, a 9% increase from the same period last year. In the United States, sales rose nearly 24% to US\$42.8 million.

Net earnings attributable to shareholders reached \$10.2 million, up 15% over the first quarter of 2014. Earnings per share amounted to \$0.52 basic and \$0.51 diluted compared with \$0.44 (basic and diluted) for Q1 2014. Analysts expected EPS of \$0.51 on revenue of \$151 million according to estimates posted on *Yahoo Finance*.

"Richelieu is off to a strong start in 2015, with a significant increase in results thanks to solid internal growth on all our markets and the benefits we are starting to reap from the five acquisitions completed in 2014," said president and CEO Richard Lord, who said he was particularly pleased with the strong sales figures in what has traditionally been the company's weakest quarter.

Lord added the strong performance can be attributed to innovation, market development, and acquisition strategies, as well as to the sales and operational synergies Richelieu has created through

those acquisitions. “We closed the quarter with a strong cash position and a still impeccable financial position and are confident we can pursue our growth strategy in the months ahead.”

Richelieu has been returning some of its excess cash to investors in the form of a share buyback program and a quarterly dividend of \$0.15 per share (the dividend was increased to \$0.15 per share from \$0.14 in the company’s fourth quarter of 2014).

Analysts at **National Bank Financial** and **Bank of Nova Scotia** recently raised their price targets on the stock, both giving outperform ratings. National Bank sees a share price of \$65, while Bank of Nova Scotia projects \$62. On the day its Q1 earnings were released, Richelieu hit a new 52-week high of \$64.50.

Richelieu is in the top 10 holdings of a number of respected Canadian small cap mutual funds, including IA Clarington Canadian Small Cap, HSBC Small Cap Growth Advisor, Mackenzie Canadian Small Cap Value and NEI Ethical Special Equity.

Richelieu’s stock price might be a little rich for some investors, but analysts believe it still has room to grow, making the stock a worthy consideration for your portfolio.

CATEGORY

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