



2 Small-Cap Canadian Dividend Stocks Worth Your Attention

Description

Leon's Furniture Ltd. ([TSX:LNF](#)) and **Richelieu Hardware Ltd.** ([TSX:RCH](#)) have a lot in common. They both dominate their respective sectors, generate consistently strong revenue growth, and offer a dividend. So, why are investors paying so little attention?

Leon's Furniture Ltd.

With a 50-year history and a household name, Leon's is the largest retailer of furniture, appliances and electronics in Canada. Its retail banners include Leon's, The Brick (purchased in 2013 for \$700 million), The Brick Mattress Store, The Brick Clearance Centre, and United Furniture Warehouse, adding up to more than 300 retail outlets. Leon's is also the country's largest commercial retailer of appliances to builders, developers, hotels, and property management companies.

In its latest quarterly earnings report, Leon's posted revenues of \$484 million, up from \$474 million last year. Diluted earnings per share dropped slightly to \$0.19 in Q2 2015 compared with \$0.21 in Q2 2014. Leon's blamed higher operating expenses for the decline, related primarily to inflationary increases of property taxes.

Same-store sales, a key measure in the retail industry, rose 1.7%, up from a 0.1% increase in the previous quarter.

"Although we experienced lower gross margins as a result of the decline in the Canadian dollar and aggressive marketing, we are growing same-store sales in a challenging environment and executing on the operating expense efficiencies we identified when we acquired The Brick two years ago," said Edward Leon, president and chief operating officer of Leon's. Leon's has a quarterly dividend of \$0.10 per share, and a dividend yield of 2.79%.

Richelieu Hardware Ltd.

Richelieu is an importer and distributor of specialty hardware products, with nearly 70,000 customers across North America, including kitchen and bathroom cabinet manufacturers, residential and commercial woodworkers, home furnishing manufacturers, office and ready-to-assemble furniture

manufacturers and renovation superstore chains.

And the company is growing. In June Richelieu acquired Single Source Cabinet Supplies, a specialty hardware distributor located in Dallas.

Richelieu's second quarter was highlighted by a 15% increase in sales to \$190 million and a 12% rise in net earnings, to \$14.7 million, or \$0.74 per diluted share. The company is virtually debt free, and during the first six months of the year, distributed a total of \$15.1 million to shareholders, including \$5.9 million in dividends and \$9.2 million in share repurchases. Richelieu has a quarterly dividend of \$0.15 per share with a yield of 0.89%.

Despite their similarities, the stock prices of Leon's and Richelieu appear to be heading in opposite directions, with Leon's down 20% year-to-date and Richelieu rising 18% over the same period. Leaving aside the share price, Richelieu may be the better option, considering its higher dividend and stronger earnings report. Still, both stocks are worth the attention of investors looking for long-term buy-and-hold issues.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)

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