



## Why Rona Inc. Belongs in Your Portfolio

### Description

With the economy cooling off and the market in correction, now may be a good time to take a look at your portfolio and take advantage of some stocks that can be purchased at a discount, and consider others that will help diversify your portfolio.

One such company to consider adding is **Rona Inc.** (TSX:RON).

Rona is a distributor and retailer of hardware, renovation products, and building materials. The company consists of more than 500 corporate, franchise, and independent affiliate locations, and employs nearly 24,000 people.

Let's take a look at some reasons why you should consider including Rona in your portfolio.

### Innovating on product and store levels

In a tough economy, consumers opt to complete small home projects themselves, rather than hiring someone, resulting in considerable savings. Those savings are now available without the need to sacrifice quality, as consumers are armed with smartphones that will find those high-quality products, wherever they may be.

Furthermore, consumers are now more considerate of both the environment and where the products they are purchasing come from than ever before.

For Rona and other retailers, this necessitates a need to adapt to the changing needs of the consumer and the market as a whole.

Rona has responded to this need by offering an increasing line of over 2,000 eco-responsible products that focus on the emerging requirement in procurement circles to source eco-responsible products. Products that adhere to any number of eco-specific certifications are highlighted for users, further increasing awareness.

In terms of actual brick-and-mortar locations, Rona also differentiates itself over the competition by

offering a variety of store sizes, catering to the individual needs of the market. This allows a greater penetration into smaller markets where a big-box style store would not be feasible.

### **Quarterly reports that show promise**

Rona reported second-quarter results earlier this month, and the results were impressive. Even with a decline in housing starts and a cooling economy, the company still managed to post the best quarterly results in three years. Even more impressive is that this represents the fourth consecutive quarter of growth.

Same-store sales in the retail segment were up by 5.4%, and adjusted net income was \$50 million. This is an increase of 19% over the same quarter last year. Net income per was also up considerably—31% to \$0.46 per share compared with \$0.35 for the same quarter last year.

Rona also announced an increase to the dividend of 14.3%, bringing the annual dividend to \$0.16 per share annually. In addition to the dividend hike, Rona is also moving a quarterly distribution schedule for the dividends.

Rona currently trades at \$14.27, up just over 3% year-to-date. Over the course of a full year, this figure improves to approximately 5.5%.

Diversifying your investments is always a great idea. In my opinion, Rona represents a solid option for your portfolio. You will get steady growth and some dividend income.

### **CATEGORY**

1. Investing

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dafxentiou

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