



## Attention Investors: This Canadian Retailer Is Achieving Over 13% Sales Growth

### Description

A review of **Indigo Books & Music Inc.'s** ([TSX:IDG](#)) most recent quarter, which shows more of the same impressive results that it has been posting lately, demonstrates why the company is poised for continued growth and success going forward.

### Accelerating sales growth

In the second quarter of 2015, revenue increased 8.8% despite two fewer superstores and four fewer small format stores. More importantly, same-store sales increased 13.6% at the physical store segment and 14.2% in the online segment. These growth numbers are among the highest in the company's history.

The General Merchandise segment increased a very impressive 23% year over year and now represents 30.3% of total revenue versus 27% last year.

Key to the quarter, once again, is the fact that the company is seeing good performance from its core book business as well, which struggled for a while.

The company's CEO, Heather Reisman, said on the conference call that data shows that e-reading has leveled off, and it has even dropped a bit in Canada as readers are increasingly recognizing the value and appeal of the good, old-fashioned book. The core book business also benefited from the new, very popular colouring book trend, so this is good news.

### Strong margins

The company achieved an increase in gross margins to 45.5% from 44.1% in the same period last year, and net income improved dramatically to a loss of \$1.8 million versus a loss of \$8.5 million from the year before. And cash flows were strong, with operating cash flow coming in at \$2 million versus \$878,000 last year.

### Strong balance sheet

To top off the really nice growth metrics that the company has been posting, we have the balance sheet, which remains pristine. It has a cash balance of \$176.2 million and negligible debt.

And after trading below book value for a long time, the company is now trading slightly above it.

### **Differentiated product and experience**

With **Starbucks** in many of their stores, an expanding American Girl presence (two more American Girl stores are opening soon), a general ambiance that encourages customers to “hang out,” and a product assortment that is original and differentiated, the retailer seems to have achieved, in my opinion, what retailers strive for: differentiation and value added in the minds of customers.

Today, the company is in a good position to continue on the growth trajectory that it has shown this year. And with the results we are seeing out of Indigo recently, it seems to me to be only a matter of time before investors take notice, more analysts start covering the name, liquidity rises, and demand for the shares rise.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:IDG (Indigo Books & Music)

### **Category**

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