



Furnish Your Portfolio With This Furniture Retailer's Stock

Description

July 1 is arriving fast, when a lot of Canadians are going to move out of their apartments as their leases end and into new ones. A new apartment can also mean new furniture to buy. There are many shops where you can buy furniture, but when it comes to stocks, one furniture retailer stands out. Despite the strong competition in the furniture sector, **Leon's Furniture Ltd.** ([TSX:LNF](#)) is playing its cards right.

Acquisitions improved Leon's growth outlook

Leon's is the largest retailer of furniture, appliances, and electronics in Canada. It is expanding in Canada through acquisitions. Its retail banners include Leon's, The Brick, The Brick Mattress Store, The Brick Clearance Centre, and United Furniture Warehouse ("UFW"). The company bought its competitor The Brick in March 2013 for \$700 million. The addition of the Brick's Mid-Northern Appliance banner alongside with Leon's Appliance Canada banner, makes the company the country's largest commercial retailer of appliances to builders, developers, hotels, and property management companies.

In the beginning of 2016, Leon's took over the leases of eight **Sears** Home stores in British Columbia, Ontario, and Atlantic Canada. It has converted those stores to Leon's stores, and, in the process, it has launched that brand in the important market of British Columbia.

Acquisitions add risk, but Leon's has integrated them well, and they enhanced the company's long-term prospects. Leon's is now operating more than 300 retail stores from coast to coast in Canada.

Solid first-quarter results

During 2017's first quarter, which ended on March 31, system-wide sales grew by 5% to \$574 million from \$546.5 million during the same period last year. Revenue for the company grew by 4.5% to \$484.2 million compared to \$463.4 million a year ago. The biggest increases for the company were reported in adjusted net income, rising by 65.2% to \$8.5 million, and in adjusted diluted earnings per share, which grew to \$0.11 per share for a 57.1% increase year over year.

According to Edward Leon, the president and chief operating officer of Leon's, those solid results can be attributed to the implementation of new marketing and merchandising strategies over the past 15 months. Leon's has also been working on improving the professionalism of its sales associates and is cutting costs to improve its margins.

In a release with the first-quarter earnings report, the furniture retailer noted it expects to see continued growth in sales for 2017 with the expansion of nine new retail locations and an increased e-commerce presence.

Leon's stock P/E is currently 14. It's low compared to the industry average of 30.9. The company is paying a dividend of \$0.12 per share, which represents a dividend yield of 2.78%. The dividend was raised at the beginning of the year by 20% from the 2016 dividend. Its return on equity and return on invested capital are relatively high, reaching 15.47% and 10.61%, respectively, so you have a good return on the money invested.

To summarize, Leon's stock is cheap, it pays a good dividend, and its growth prospects are improving. This could be a good buy for a long-term value investor who is also looking to earn some dividend income.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/04

Date Created

2017/06/12

Author

sbchateauneuf

default watermark

default watermark