



Sleep Country Canada Holdings Inc. Remains a Buy, Despite Recent Sell Off

Description

Canada's largest mattress retailer **Sleep Country Canada Holdings Inc.** ([TSX:ZZZ](#)) is a company which has seen its continuous growth abruptly end in July, with shares spiraling downward over the past two months after earnings results which did not "wow" investors.

I'm going to take a deeper look at Sleep Country to see if real value exists with this name, or if investors should look elsewhere for a long-term portfolio position.

Earnings results

After looking at Sleep Country's most recent earnings report, the only thing I could think of was, "well, that was surprising..."

The company reported revenue and earnings that were either in line with or beat analyst expectations. The company announced EBITDA which was nearly 13% higher than a year earlier, revenues which increased by nearly 11% and same-store growth of 7.5%, all numbers which impressed me, but not the market.

Sleep Country's impressive near-tripling in the two years since its IPO in July of 2015 has put investors in a good mood with the Canadian mattress company. The business has been growing at breakneck speed, with significant areas of opportunity for continued growth such as accessory sales and changing industry trends, as [pointed out](#) by fellow Fool contributor Joey Frenette.

While accessory sales were actually only one of the few areas which under-performed in the company's most recent earnings release (growth slowed, but did not turn negative), it appears that investors may simply have wanted to take some profit off the table, amid concerns about the wider housing market and the ability of Canadian consumers to continue to make relatively costly investments into a mattress, a purchase which is widely considered to be somewhat discretionary.

That said, the fact remains that Sleep Country has continued to show impressive performance, and has made significant investments in the company's e-commerce platform which should propel the business further, faster than its competitors. The company's bricks-and-mortar business has also

grown impressively (shown by the aforementioned 7.5% same-store growth rate), and the company has correspondingly made investments in its retail stores to support increased sales per square foot numbers, an industry-wide metric of performance used to compare peers.

Bottom line

Sleep Country may not have hit every single nail on the head with its most recent earnings report. Taking the bigger-picture growth story into consideration, however, investors should realize that there is much more to the story here than how many pillows a company is able to sell.

Stay Foolish, my friends.

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