



Should You Furnish Your Portfolio With Leon's Furniture Ltd. or Sleep Country Canada Holdings Inc.?

Description

In a late October article, I warned investors about the [retail sales decline](#) in specific industries, as outlined in a report from Statistics Canada. Recent GDP numbers released by Statistics Canada in August reinforced these concerns, as furniture and home furnishing stores saw a 2.3% decline in activity. This represented one of the largest declines relative to other sectors, with total GDP shrinking 0.1% in August.

It is important to note that furnishing sales typically go down in the summer. This is why furniture stores tend to bring out some of the most enticing discounts during this period. As we approach the holiday season, furnishing stores should see an uptick in activity.

A comeback for housing in Canada may also motivate shoppers in the coming months. Activity at hardware and home improvement stores was also down in July and August, suggesting that the summer housing correction may have dissuaded shoppers from stores.

Let's take a look at two of the top home-furnishing stocks on the TSX today.

Leon's Furniture Ltd. ([TSX:LNF](#)) is a Toronto-based furniture retailer with stores across Canada. The stock has climbed 2.1% in 2017 as of close on November 14 and 7.7% year over year. In July, I [covered Leon's as a solid portfolio add](#). Leon's released its third-quarter results on November 14.

System-wide sales experienced 4.7% growth to \$705 million compared to \$673 million in the third quarter of 2016. Revenue increased 3% to \$594 million and adjusted EBITDA was up 5% to \$59 million. Net income also jumped to \$34.3 million from \$31.3 million in Q3 2016. The company also declared a quarterly dividend of \$0.12 per share, representing a 2.6% dividend yield.

Leon's has reported strong growth across the board in the first nine months of 2017. System-wide sales are up 4.9%, while adjusted net income has increased 20.9% to \$69.2 million. A slow summer aside, the company appears positioned to finish the year on a high note. This stock is still a worthy add going forward and even offers a solid dividend.

Sleep Country Canada Holdings Inc. ([TSX:ZZZ](#)) is a Toronto-based mattress retailer. Sleep Country has over 185 stores across Canada. Shares have increased 11.9% in 2017 and 16% year over year. The company released its third-quarter results on November 1.

Revenue was up 10.1% to \$177.1 million from \$160.8 million in the previous year, while same-store sales experienced 7.3% growth in the quarter. Net income increased 6.6% to \$22.8 million, while operating EBITDA climbed 6.5%. The board of directors also declared a dividend of \$0.17 per share, representing a 2% dividend yield.

Like other brick-and-mortar retailers, Sleep Country has also committed to expanding its e-commerce platform. With a significant physical footprint, the forward-thinking strategy should pay off, as e-commerce retail sales continue to experience big growth in Canada.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:ZZZ (Sleep Country Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/21

Date Created

2017/11/18

Author

aocallaghan

default watermark