This Retailer Is Soaring 9% Today as it Continues to Kick it out of the Park

Description

Indigo Books and Music Inc. (TSX:IDG) released its financial results for the third quarter of fiscal 2018, and the results show strong growth in a retail market that remains healthy and continued signs that the company's transformation is on the right track.

The key takeaways

Same-store sales, which includes online sales, increased 7.9% this quarter, which is an acceleration from recent quarters and last year's same-store sales growth of 7.5%.

Same-store sales at the company's superstores increased 4.9%, and they increased 2.9% at the company's small format stores.

The strongest retail channel was, once again, the company's online channel, which saw a 26.4% increase in sales in the quarter — also accelerating from the prior quarters. As a point of comparison, **Amazon.com, Inc.** (NASDAQ:AMZN) posted a 36% increase in sales in the latest quarter.

Indigo's online sales are approaching 20% of total sales compared to well below 15% of sales last year — a reflection of the continued outperformance of the company's online segment.

Online sales have a slightly lower margin, as the shipping costs are higher, but this is being worked on, and management hopes to bring margins higher in time.

General merchandise remains strong

The general merchandise category continues to be very strong, with the lifestyle and toys category posting an almost 20% increase in revenue.

In the new concept store at Sherway Gardens in Toronto, sales have been strong, and the general merchandise category accounted for over 60% of sales, which is very positive given the fact that this category has higher margins.

Based on these outstanding results, and the very strong returns on investments of this endeavour, the company is accelerating the renovations of its stores into the new concept stores. We can expect a few more to be renovated this quarter and 20 in the next fiscal year.

While in the short term this will mean higher spending and possibly the issuance of debt to cover the costs, in the long term this will drive revenue, margins, and earnings growth.

Strong cash flow and balance sheet

Operating cash flow increased 10% compared to the same period last year, free cash flow was $140 million compared to $130 million last year, and the company reported earnings per share of $1.56 compared to $1.48 last year, for an increase of 5.4%.

The balance sheet remains in good shape, with negligible debt and $300 million in cash and short-term investments as of the end of the quarter.

In summary

Going forward, the company sees much in the way of growth opportunities and will continue to invest in growth initiatives in order to capture a bigger share of the Canadian retail market.

And in a bold move where many others before it have failed, the company will enter the U.S. market with a store in New Jersey, hoping to replicate its success in Canada.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:IDG (Indigo Books & Music)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/18
Date Created
2018/02/07
Author
karenjennifer