



## Why Indigo Books & Music Inc. Soared Over 8% Yesterday

### Description

**Indigo Books & Music Inc.** ([TSX:IDG](#)), Canada's largest book, gift, and specialty toy retailer, watched its stock soar over 8% as of 11:35 A.M. EST in Wednesday's trading session in response to its fiscal 2018 third-quarter earnings release after the market closed on Tuesday. Let's break down the results and the fundamentals of its stock to determine if this could be the start of a sustained rally higher, and if we should be long-term buyers today.

### The results that ignited the rally

Here's a quick breakdown of seven of the most notable statistics from Indigo's three-month period ended December 30, 2017, compared with the same period in 2016:

Metric	Q3 2018	Q3 2017	Change
Total revenue	\$433.27 million	\$400.30 million	8.2%
Total comparable sales	\$418.90 million	\$388.20 million	7.9%
Gross profit	\$189.04 million	\$177.12 million	6.7%
Operating profit	\$55.59 million	\$50.89 million	9.2%
Net earnings	\$42.55 million	\$39.95 million	6.5%
Net earnings per common share (EPS)	\$1.58	\$1.51	4.6%
Cash flows from operating activities	\$153.46 million	\$139.25 million	10.2%

### Is the rally warranted?

It was an outstanding quarter overall for Indigo, driven by a "[strong holiday season](#)" and highlighted by its "highest ever quarterly revenues and a 17th straight quarter of top-line comparable growth," so I think the +8% pop in its stock was warranted. I also think the stock could continue higher from here, because it still trades at very attractive valuations, including just 19.4 times fiscal 2018's estimated EPS of \$0.98 and only 16.7 times fiscal 2019's estimated EPS of \$1.14, both of which are inexpensive

given its [long-term growth](#) potential.

Indigo Books & Music has not only been surviving the incredible growth of **Amazon.com, Inc.**, it [has been thriving](#), and I do not see any reason that will prevent it from continuing to do so going forward. Indigo has quickly become one of my favourite retail stocks, so take a closer look and consider initiating a position today with the intention of adding to that position on any weakness in the near future.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:IDG (Indigo Books & Music)

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