



Better Buy Today: AutoCanada Inc. or Leon's Furniture Ltd.?

Description

The S&P/TSX has been unable to escape global stock market volatility, as it has dropped 6% in 2018 as of close on March 27. The Canadian dollar slipped \$0.02 on the day, and technology, financials, and materials experienced losses. Investors are facing a challenging situation in spring, as April will see perhaps the most crucial round of NAFTA negotiations begin, and the Bank of Canada will convene for yet another rate decision.

Today, I want to look at two stocks that may be worth your attention in the spring and summer. Which one should you add to your portfolio?

AutoCanada Inc. ([TSX:ACQ](#))

AutoCanada is an Edmonton-based company that operates franchised automobile dealerships. AutoCanada stock has dropped 2.4% in 2018 as of close on March 27, but shares are up 5.8% month over month. This was due in large part to the release of its 2017 fourth-quarter and full-year results on March 15.

In 2017, revenue hit a record \$3.1 billion, which represented a 7.3% increase from 2016. Sales of new vehicles rose 9.3% to 43,773, and used vehicle sales were down 1% to 19,379. New vehicle sales accounted for 58.9% of total revenue and 25.3% of gross profit. AutoCanada also declared a quarterly dividend of \$0.10 per share, representing a 1.8% dividend yield.

[Auto sales have impressed to start the year.](#) As of the end of February, auto sales were up 3.8% from the same period in 2017. January and February posted record numbers. However, industry experts expect sales to slow into the year, as Canadians ease back on consumer spending and rates continue to rise. So far, however, vehicle sales have bucked analyst expectations, and AutoCanada stock has benefited.

Leon's Furniture Ltd. ([TSX:LNF](#))

Leon's is a Toronto-based retailer of home furnishings, mattresses, appliances, and electronics. Leon's stock has plunged 9.2% in 2018 thus far but is up 3.4% year over year.

Canadian retail sales have disappointed in December and January. However, the January report bodes well for Leon's. Electronics and appliances sales were up 4%, and furniture and home furnishings stores reported a 3.4% increase in activity. Home furnishing shopping often tends to [pick up in the spring and summer months](#).

Leon's released its 2017 fourth-quarter and full-year results on February 22. For the full year, total system-wide sales climbed 4.2% to \$2.63 billion, and adjusted net income grew 14.1% year over year to \$99 million. The company launched three e-commerce sites in 2017, as online shopping continues to eat into activity at the expense of brick-and-mortar stores. Leon's paid a quarterly dividend of \$0.12 per share, representing a 2.8% dividend yield.

Which should you buy?

Broader market forces appear to be moving in the right direction for both AutoCanada and Leon's in the first months of 2018. Both stocks offer solid dividends and earnings impressed in 2017. Ahead of the spring and summer months, I prefer Leon's, as auto sales are expected to slow as we move further into the year.

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

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