

2 Discounted Furniture Retail Stocks to Buy for Their Dividends

Description

There are good reasons to buy furniture stocks cheap ahead of an economic downturn. With homeowners facing increasing financial pressure, they are less likely to move house or spend time on unnecessary luxuries such as eating out. Instead, householders are likely to focus on improving living conditions at home.

Value investors have a great choice in the two stocks below, which offer a range of benefits from growth in terms of earnings to defensiveness in the face of a possible economic downturn.

While hardware stores and grocery outlets are likely to see benefits of a recession, furniture dealers may likewise see an increase in business. Items seen as small luxuries are likely to see a surge in sales, with non-consumable goods for the home, and especially the bedroom, seeing an increase in expenditure.

With that in mind, let's look at two discounted furniture stocks for the value-focused investor.

Sleep Country Canada Holdings ([TSX:ZZZ](#))

First of all, it must be said that this has to be the most inventive ticker ever. Okay, now that that's out of the way, let's talk market fundamentals! Discounted by 32% of its future cash flow value, [Sleep Country Canada Holdings](#) has slightly overheated market multiples: a P/E of 18.8 times earnings looks fine, though a PEG of 1.9 times growth and P/B of 4 times book are a little high.

There's some growth in this retail stock, though: a 9.9% expected annual growth in earnings over the next 1-3 years looks good. Meanwhile, it's good quality, too: a return on equity of 22% last year shows that shareholders' funds are being used wisely.

A dividend yield of 2.44% is great to see in a retailer, while a debt level of 40.5% of net worth is acceptable, if slightly high. Competitors would be **Canadian Tire**, **Best Buy**, or **Hudson's Bay** if you want to shop around.

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

If you are looking for a stock that focuses on Canadian furniture, appliances, and domestic electronics, consider this cheap and cheerful stock. Retailers never looked so good, with a discount of 41% of its future cash flow value.

A P/E of 12.2 times earnings and P/B of 1.7 times book look about right, though a 2.2% expected reduction in earnings over the next 1-3 years seems a little conservative.

In terms of quality, you really are getting a bargain here. Consider a reasonable return on equity of 14% last year and an acceptable debt level of 29.9% of net worth. Long-term investors should be aware of a decent dividend, too: Leon's Furniture pays a yield of 3.2% at today's price.

Leon's Furniture has been a value investors' favourite all summer and is backed up by some decent quality indicators, making it a good choice for a savings account.

The bottom line

There are often good quality [dividend stocks trading at discounts](#) on the **S&P/TSX Composite Index**: the trick is finding them. The above two picks would go well in a TFSA or RRSP, with Leon's Furniture being the best in terms of dividends or Sleep Country Canada Holdings if you want growth as well as passive income.

CATEGORY

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TICKERS GLOBAL

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

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