



TFSA Investors: 2 Industry Leading Stocks to Buy in November

Description

The home furnishing sector has not been thought of as a high-profit industry, but over the years the sector has grown in strength and with consolidation and the emergence of nation-wide chains, this is changing.

Large home furnishing stores can be especially successful if the companies have scale and a well-known brand that consumers trust.

This gives them pricing power and the ability to be flexible in times of poor industry performance – to lower their margins to crowd out smaller competitors and keep their industry position, while biding their time waiting for greener pastures.

In Canada there are two companies to consider that are both [industry leaders](#). You could go for **Leon's Furniture Ltd** ([TSX:LNF](#)) or **Sleep Country Canada Holdings Inc** ([TSX:ZZZ](#)).

Leon's

Leon's is the largest furniture retailer in Canada with more than 300 stores country wide. It has integrated its acquisitions well in the last few years and has found a number of quality synergies between its stores and the secondary services it offers, such as insurance and repair work.

The company has been working hard to build out its ecommerce business, and is looking to the future of the industry, where it expects smaller showrooms and higher digital technology to aid the consumer.

This has led to it building a new advanced warehouse in British Columbia. Leon's is also using the facility to service smaller online retailers, yet another way it has exposed itself to the growth in online shopping.

For the last couple of years, it has been focused on debt reduction, but still has plans to expand its network both organically and through acquisitions. Leon's especially wants to build its network in British Columbia, where it sees a lot of growth.

One really attractive feature that's rarely talked about is the 4.2 million square feet of real estate it owns that is marked on its balance sheet at historical value.

A lot of this real estate lies in heavily populated, high-market areas, and Leon's has already looked into potential options for real estate development of its lands.

The strength of Leon's operations as well as its incredible balance sheet make it a top stock long term, and it returns cash to shareholders in the form of a dividend that yields more than 3.5%.

Sleep Country

Sleep Country is the leading mattress retailer in Canada. In total it has 275 stores across nine provinces. It operates its Sleep Country brand in all the provinces except Quebec, where it has its Dormez Vous brand.

The company has huge reach in Canada and is the go-to place for all mattress and bedding needs. Currently, it estimates it has nearly a third of Canadian market share.

This is impressive considering it has such a market presence in an industry where people will spend the money to be comfortable. Plus, mattresses aren't like other furniture, as they need to be replaced a lot more often.

Sleep Country has clearly shown it has gotten with the times, buying up Endy, an online mattress retailer. While this only represents a small portion of its business, it will surely grow and it protects Sleep Country's brick and mortar stores, in case of an industry-wide shift.

What's most exciting about Sleep Country is that the growth it's seeing is healthy. The Endy acquisition is sure to pay for itself in the long run and its organic growth has been impressive, with the company opening an average of 13 new stores per year over the last four years.

It has been strategic too with its goals, especially to increase its sales in the sleep accessories market, where it estimates it only has about 5% of the market share, but thinks it can capture a higher portion of the market.

This includes items such as pillows, sheets, headboards, and footboards. The accessories not only give Sleep Country another growth avenue to pursue, but the items tend to be higher margin, which will increase its overall company-wide margins.

Bottom line

Both companies offer investors incredible long-term potential while managing the business for sustainability today. They are industry leaders and two companies with solid strategies, so you can buy and hold them forever.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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