



## Tax Season 2020: Make Tax-Free Income on This 1 Stock!

### Description

**BMTC** ([TSX:GBT](#)) is a [hidden gem](#) among the many consumer stocks on the TSX. The company's subsidiary Ameublements Tanguay and its two divisions Brault & Martineau and EconoMax operate and manage a retail network of electronic, furniture, and household appliances in Quebec.

The company reports a market capitalization of \$348 million with a 52-week high of \$15.68 and a 52-week low of \$9.89.

### An interpretation of the numbers

For the six months ended July 31, 2019, the company reported a strong balance sheet with \$244 million in retained earnings. This is a good sign for investors, as it indicates the company experienced more years of cumulative net income than cumulative net loss. Further to this, the company reported bank overdraft of \$1 million, which means the company is largely self-sufficient — an incredible feat.

Accounts payable are up year over year and accounts receivables are down. From a management perspective, this is the ideal situation, as a decrease in accounts receivables means the company is collecting (which increases cash), and an increase in accounts payable means the company is delaying payments (which also increases cash).

Overall revenues are down slightly from \$382 million in 2018 to \$364 million in 2019. Although this is not ideal, the company continues to be profitable with after-tax earnings of \$10 million in the period (down from \$22 million the prior year).

The company finished the year with \$11 million cash, which is good.

### But wait, there's more

Looking at the company's notes to its financials indicates a couple of important items.

Firstly, the company has an unsecured line of credit for \$20 million. My interpretation of this is two-fold. Primarily, I am a bit curious as to why the amount is not higher. A higher line of credit may suggest aggressive growth plans for the company in the near future, which would deliver positive returns to investors. At the same time, having a low line of credit suggests the company is relatively self-sufficient. As indicated by the financials, the company has \$11 million in cash, which means many initiatives can be self-funded.

Secondly, the company pays a dividend with a current yield of 2.75%. Although this is not a significant dividend, investors should be pleased with this, as the current dividend yield is the highest it has been in the past 10 years. Further to this, the company is very consistent with its dividends, which means investors can rely on the 2.75% increase to their principal.

## Foolish takeaway

Even with a potentially volatile 2020 ahead, I believe BMTC is a good stock to [buy and hold](#). That said, investors looking to buy BMTC during the recession are also smart to do so. Given the cyclicity of the furniture industry and its ties to the economy, investors that wait until next year may be able to take advantage of a more favourable price.

Investors looking to diversify their portfolios and purchase shares of a furniture stock should consider buying shares of BMTC. The company is very well managed, as indicated by its positive retained earnings, acceptable cash balance, and the financial prudence of senior management (through the increase in accounts payable and decrease in accounts receivable). BMTC is definitely a good stock to buy and hold.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:GBT (BMTC Group Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Investing

### Date

2025/07/02

### Date Created

2019/12/08

---

Author

cliu

default watermark

default watermark