



Sleeping Pays Off: Time to Start Accumulating Shares of This Market Leader

Description

When one is uncertain with respect to the upcoming 12 months and how the stock markets will play out, it is sensible to look toward market leaders in different sectors. Generally, these are companies that have been around for decades and have weathered financial storms, recessions, and downturns in the past. A market leader in the sleep retailing business, **Sleep Country Canada** ([TSX:ZZZ](#)), is 25 years old and a Dividend Aristocrat.

Last year, the stock was range bound, alternating between a low of \$17.54 and a high of \$22.52 in the last 12 months. The company missed its earnings estimates in three out of the last four quarters. In the nine months ended September 30, 2019, Sleep Country [reported \\$45 million of negative retained earnings](#) on its balance sheet.

Online push

However, Sleep Country has been making steady moves to turn the company around with a particular push in the online segment. As more consumers go on the internet for their sleep requirements, Sleep Country has ramped up its online operations.

Late in 2018, the company announced its acquisition of Endy, one of Canada's leading online mattress retail brands, giving it a stronger ability to compete with the U.S. and international entrants.

Sleep Country has struck two deals in 2019 that should boost its revenues and set the company on a bull run in 2020. In December 2019, it announced an exclusive Canadian distribution deal with BlanQuil, the consumer-favourite weighted blanket brand. Widely popular with American consumers and endorsed by celebrities, BlanQuil products will be sold exclusively at Sleep Country Canada and Dormez-Vous, both online and in-store.

The BlanQuil site is designed by BlanQuil but powered by “SleepCommerce,” a new Sleep Country e-commerce platform that allows online retailers who are partners with Sleep Country, a suite of services including payments, site content management, marketing, shipping, and customer engagement tools to simplify the process of running their online stores with the help of Sleep Country’s powerful ecosystem.

Sleep Country also revamped and relaunched its SleepCountry.ca and Dormezvous.com e-commerce websites, making it easier for customers and driving customer engagement higher. The revamped websites were introduced to bolster Sleep Country Canada’s omnichannel initiatives.

In 2017, Sleep Country Canada launched its first transactional website with its popular mattress-in-a-box, Bloom. The Bloom collection was the first mattress sold online, and now today, Sleep Country’s entire lineup of mattresses is available online, apart from the benefits that SleepCommerce offers to its partners.

Global brands

Another deal was a partnership with U.K.-based sleep-tech firm Simba, following which Sleep Country will stock and sell Simba’s products, including the multi-award-winning Simba Hybrid mattress range.

Simba received a \$24 million investment from Cartesian Capital Group to fund its global sleep ambitions, and one of the first moves that the company made was partnering with Sleep Country. With 276 stores and 17 distribution centers across Canada (all of which are company owned), it only makes sense for Simba to partner with Sleep Country.

A strong focus on operations and improving efficiencies are reasons why all seven analysts tracking this stock since October have retained their “buy” ratings for the last quarter. The stock is currently trading at \$20.55, and investors can expect it to move higher in 2020.

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Date

2025/08/13

Date Created

2020/01/15

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