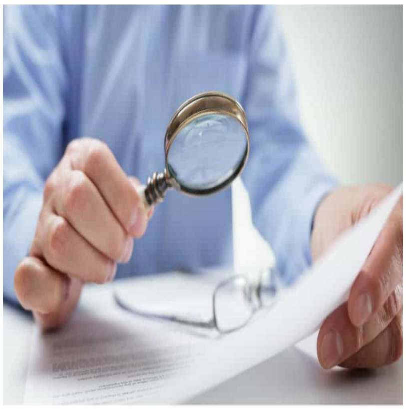

This TSX Company Has Not Stopped Acquisitions Amid COVID-19

Description

There are always some companies that carry on with business as usual for as long as possible. Sometimes the gambit pays off; sometimes it doesn't. **Richelieu Hardware** (TSX:RCH) is at an interesting crossroads right now.

This $1.35 billion company is an importer, distributor, and manufacturer of specialty hardware and complementary products. It has more than 80,000 customers in North America and 82 centres that sell over 110,000 products (SKUs).

Richelieu announced its numbers for the quarter ended February 29, 2020, and reported revenues of $249.4 million, up by 10.2% from the same period in 2019. Canada contributed to $156.7 million in sales, up by 9%, and the U.S. generated $92.7 million in revenue, up by 12%. The company's first-quarter EBITDA reached $24.9 million, up by $3.9 million, or 18.9%, over the first quarter of 2019.

A large part of the growth in sales can be attributed to the three new acquisitions in North America that gave Richelieu access to new geographic markets. The acquisitions add approximately $60 million in sales on an annual basis as well as new customers, products, and expertise.

Richelieu focuses on growth via acquisitions

Richelieu acquired Decotec in December 2019, which serves a customer base of chemical manufacturers. Mibro was also acquired in December 2019, and it serves a customer base of retailers in Canada and in the United States. And the last one, acquired on February 3, OHARCO, serves manufacturers and operates three centres in Nebraska, Iowa, and South Dakota, giving the company access to a new geographic market.

Richelieu is a company that deploys cash into its business and acquisitions instead of giving it back to shareholders. Its forward dividend yield is a paltry 1.13%, and in view of the pandemic and its implications, the board of directors has elected not to declare any dividends for the first quarter of 2020.

The company sales have been largely insulated from the effects of COVID-19 until March. Richelieu said that March sales were strong in the first half of the year but then started to see a decline toward the end of the month. And based on the trend in the last days of April, consolidated sales are negatively impacted by approximately 40%, resulting from a decline of 45% in Canada and 30% in the U.S.

A lot of Richelieu's commercial clients are still working as they fall under essential services. Richelieu repairs roofing, hospitals, and places that have emergency needs. Products have also been sold for the protection of the employees in grocery stores and hardware stores.

When it comes to retailer sales, Richard Lord, CEO, president, & executive director, said, “We see a decrease of our sales by about 40% there as well. But we think that, that 40% should remain stable. So not only its stable, also, the accounts receivable from those accounts is really very, very safe.”

Capex plans will be lower than the initial forecast of $10-$12 million, but the company is pretty clear that M&A activity will not stop. In fact, the management thinks that the current COVID-19 situation will throw up more opportunities to buy companies at a discount.

Richelieu is a conservative company when it comes to taking on debt. The company had $11.7 million of debt in February 2020, down from $19 million in 2019. This is more than balanced out by $24.7 million in cash.

Richelieu is a company with good fundamentals and strong management. It might be prudent to wait until the end of April before making any decisions on the stock. If the lockdown lifts and the economy start running again, this is a good stock to buy.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:RCH (Richelieu Hardware Ltd.)

PARTNER-FEEDS

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

Category

1. Coronavirus

2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/07/05
Date Created
2020/04/22
Author
araghunath