2 TSX Stocks I Love in July

Description

Earlier this month, I'd discussed the comeback for the Canada housing market. Activity is on the rise as the economy reopens. Because of this, many homeowners may look to cash in on what is suddenly a hot market. However, I don't want to focus on housing-linked stocks today. Instead, we're going to look at TSX stocks that will benefit from a surge in home improvement.

Why I love home improvement TSX stocks this summer

The Canadian DIY and home improvement market is predictably much smaller than the United States. However, it has still experienced strong growth over the past decade. Home improvement is a costly and time-consuming activity. According to HomeStars, a Toronto-based home improvement service provider, 57% of Canadians completed between one to two small repairs on their homes in 2019. Over 35% completed between three and 10 repair jobs. About a quarter of homeowners spent between $5,000 and $20,000 on these repairs.

Below are two TSX stocks that are well positioned to benefit from the burgeoning home improvement space. Here's why I still love these stocks in July.

Two stocks to snag today

Richelieu Hardware (TSX:RCH) is a Montreal-based company that manufactures, imports, and distributes specialty hardware and complementary products across North America. In early June, I'd suggested that investors should pile into this red-hot TSX stock. Its shares have climbed 15.9% month over month as of close on July 15.

The company released its second-quarter 2020 results on July 9. Total sales fell 11.7% year over year to $248.3 million and EBTIDA fell 1.7% to $33.8 million. However, in the year-to-date period, diluted net earnings per share still increased 4% to $0.52. Richelieu also boasts an excellent balance sheet with net cash of $31.2 million and working capital of $358 million.

In Q2 2020, the company declared a quarterly dividend of $0.0667 per share. This represents a modest 0.8% yield. Shares of Richelieu had a price-to-earnings (P/E) ratio of 26 and a price-to-book (P/B) value of 3.3 at the time of this writing. This puts the TSX stock in pricey territory.

Hardwoods Distribution (TSX:HDI) is engaged in the wholesale distribution of architectural building products for the residential and commercial construction markets in North America. The stock has increased 11.6% in 2020 so far. Shares have climbed 55% over the past three months. This TSX stock is on fire and well worth your attention in July.

The company released its Q1 2020 results on May 5. Sales increased 13.2% year over year to a new quarterly record of $325.1 million. This included 5.4% organic sales growth. Meanwhile, adjusted EBITDA rose 31.7% to $22.8 million and profit grew by 57.1% to $9.4 million. Management remains confident in the company's position to come out of the COVID-19 crisis stronger than ever.

Shares of this TSX stock last possessed a P/E ratio of 11 and a P/B value of 1.2. This puts Hardwoods stock in attractive value territory. Moreover, the board of directors last announced a quarterly dividend of $0.085 per share, representing a 1.9% yield.

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