



Is Sleep Country Canada the Growth Stock You've Been Sleeping On?

Description

Investors looking for a top-notch [growth](#) stock to add right now may certainly have their work cut out for them. Indeed, growth stocks have continued higher, despite valuations continuing to expand at record pace. However, some growth stocks have performed better than others.

One growth stock that may not be getting the love it deserves is **Sleep Country Canada** ([TSX:ZZZ](#)). This company has certainly been flying this year. However, this Canadian omni-channel mattress and specialty retailer still remains well off its pre-pandemic highs.

Here's why I think this is a growth stock that could have more room to run from here.

Major deal with Hush Blankets to boost this growth stock

Sleep Country Canada may not be well known in the investing world. However, the company has been making headlines of late.

Recently, the mattress retailer [announced](#) an agreement to acquire Hush Blankets. Hush Blankets is a popular direct-to-customer provider of pillows, sheets, weighted blankets, bed-in-a-box mattresses and more. Hush Blankets was launched in 2017 by Aaron Spivak and Lior Ohayon.

According to the deal, Sleep Country agreed to buy a 52% stake in Hush Blankets worth \$25 million.

It has also decided to purchase the remaining 48% stake in a yearly 16% increments which would start from March 31, 2023. The price would be based on the financial performance of this business. However, Sleep Country has stated that Hush would continue to function as an independent entity led by Spivak and Ohayon. They would be guided by a team comprising of senior management from both Hush and Sleep Country.

Sleep Country announced the completion of its acquisition of a 52% stake on October 22, 2021. The deal would mark Sleep Country's expansion into the sleep ecosystem. Additionally, investors and analysts believe this move signals the beginning of the next phase of growth for Hush.

Strong Q1 and Q2 performance

Sleep Country succeeded in staying afloat throughout the pandemic and has posted significantly solid results in this year so far. Indeed, the V-shaped recovery in this growth stock is notable, as investors flock to economically sensitive reopening plays.

Sleep Country's recent earnings were impressive. Indeed, many investors are right to point to these results as drivers of Sleep Country's recent performance.

The company's revenue growth has continued to come in around 20% on a year-over-year basis. Additionally, the company's adjusted earnings have grown by approximately 60% in recent quarters. These kinds of growth rates are hard to come by in any market. Margins remain strong, as does the company's core business.

All in all, Sleep Country is a growth stock I view as an overlooked gem in a rather overwhelming market. Long-term investors looking for special situation plays may do well to consider this stock on any pullbacks from here.

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