



## Why Hardwoods Distribution (TSX:HDI) Stock Just Soared 10%!

### Description

**Hardwoods Distribution** (TSX:HDI) is one of North America's largest distributors of architectural building products like mouldings, doors, plywood, stairs, and decorative surfaces. The Vancouver-based building materials company operates 83 distribution centres across the United States and Canada.

## Why Hardwoods Distribution stock soared 10% yesterday

On Tuesday, its stock soared as much as 10% during the trading day. On Monday evening, the company issued a [press release](#) detailing the acquisition of Mid-Am Building Supply for US\$270 million. Mid-Am is a wholesale distributor of building products, and it advances Hardwoods reach into the U.S. Mid-west market.

It also further broadens Hardwoods' sales channels to include Pro Dealer and home centres. Mid-Am produced \$270 million in 2021, so Hardwoods is only paying one times sales. Hardwood's management team believes this deal should be immediately 15% accretive to earnings per share, even before synergies are unlocked.

This is the second-largest acquisition Hardwoods has made in the past 12 months. Last summer, it acquired Novo Building Products, a leader in moulding products, for \$303 million. These two acquisitions are highly complementary and should continue to expand its retail/home centre sales channels.

## This company is a serial acquirer

Hardwoods is certainly not new to acquisitions. This is the 11th acquisition it has made in the past five years. These acquisitions have added over \$1.4 billion in annual revenues to its business. Today, the company is producing around \$2 billion of annual revenues.

The combination of organic and acquisition growth has helped compound sales by a 20% annual

average growth rate. EBITDA has grown at double that annual rate over that same period. Earnings per share has grown by a 36% compounded annual growth rate. Today, Hardwoods is expected to earn \$5.88 per share in 2021.

## Why Hardwoods Distribution is an attractive investment

There are many reasons the market likes this deal. Frankly, there are many reasons to just like Hardwoods Distribution stock. Firstly, despite such strong consistent growth, this stock only trades for eight times earnings and six times EBITDA. The stock is up 73% over the past year, yet it remains resoundingly [cheap](#).

Secondly, housing demand remains very strong in Canada and the United States. There is a massive housing deficit across North America. New housing construction should be strong in 2021, even if interest rates rise to some extent. Likewise, tight supply means more people invest in renovations. Last year was a banner year for Hardwoods, so 2022 should be another strong year.

Thirdly, with its recent acquisitions the company is more diversified than ever. It now has broad geographic, customer, sales channel, sector, and product breadth. While the company takes on a bit more debt, its overall business model is de-risked with this acquisition.

## A great stock for growth, value, and income

Hardwoods stock has it all. It has growth, value, and it even pays a decent 1% [dividend](#) (which, it has grown by about 10% every year). The recent acquisition just affirms its strong growth potential, and this stock still looks attractive for a long-term, value-focused investor.

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