



## Is Richelieu (TSX:RCH) Stock Worth Buying After its Solid Q2 Earnings?

### Description

**Richelieu Hardware's** ([TSX:RCH](#)) stock price inched up 5.2% Thursday to \$36.96 per share after the company released its much better-than-expected [Q2 results](#). While this rally helped RCH stock trim its losses, it still trades with more than 15% year-to-date losses against the **TSX Composite's** 10.2% drop in 2022. In this article, we'll analyze the latest growth trends in Richelieu's financials and find out whether its stock is still worth buying.

### Richelieu's Q2 earnings

Richelieu is a Montréal-based maker and importer of specialty hardware products with a [market cap](#) of \$2.1 billion. In its fiscal year 2021, the company made nearly 66% of its revenue from its home market, while the remaining 34% came from the United States.

In the second quarter of the fiscal year 2022 (ended in May), Richelieu's total revenue jumped by 31.4% YoY (year over year) to \$487.9 million — also exceeding analysts' estimate of around \$455 million. This growth was due mainly to a solid 48% YoY jump in its revenue from the U.S. market, which accounted for nearly 40% of its total revenue in the latest quarter.

The hardware company's recent acquisitions and investments in new market segments and strategic areas also drove its adjusted earnings for the quarter up by 25.8% YoY to \$0.83 per share. Its quarterly earnings figure was also notably higher compared to Street's estimate of \$0.76 per share. Its strong financial progress in the last quarter was one of the key reasons why stock rose by more than 5% after its Q2 earnings release.

### Other key highlights

Besides its rising investment in the strategic areas across Canada in the U.S., Richelieu's CEO Richard Lord attributed its strong results to the firm's dynamic and sustained market development and penetration efforts. In addition, he highlighted how the company's customer base and network expansion efforts, the diversification of its market segments, and continued innovation are driving

financial growth.

Richelieu's management expects its warehouse cost to rise by roughly around \$4 million in the ongoing fiscal year. On the positive side, the company also expects to stop paying extra to get its containers faster in Canada and the U.S. in the second half of the fiscal year.

In the first half of its fiscal 2022, Richelieu has made three business acquisitions worth \$52.4 million, which have already started reflecting a positive impact on its business growth. In the last quarter, the company also spent \$10 million on IT and bought new equipment to maintain and improve its operational efficiency. While these investments increased its overall expenses in the first half, they're likely to help the Canadian hardware company accelerate its financial growth trends in the long run.

## Is Richelieu stock worth buying now?

Richelieu continues to expand its network in the U.S. market to capture more demand. Last year, the company completed the expansion of its Detroit, Orlando, Boston, and Dallas locations and now plans to expand its network further in the near term, which should accelerate its U.S. sales growth. Given its solid recent financial growth trends and positive business growth expectations, I find Richelieu stock cheap to buy when it's down more than 15% year to date.

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