



## 2 Stocks to Watch This Week

### Description

The **Toronto Stock Exchange 300 Composite Index** (^GSPTSE) ended the week 0.7% lower with the mining companies, and especially the precious metal producers, the big losers. The index is now up by 7% so far this year and by 15% over the past year. **Air Canada** (TSX: AC.B) once again caught the eye as a top performer with a gain of 7% for the week. The stock has now gained 335% over the past year as investor confidence in management's business strategy continues to grow.

This week will bring the results of **Saputo** ([TSX: SAP](#)), a major dairy producer, and **Hudson's Bay Company** (TSE: HBC), one of the oldest companies in Canada. Here's what to watch.

#### Saputo

Saputo, the largest dairy producer in Canada and one of the top 10 producers in the world, will report results for the fourth quarter of the 2014 financial year on Thursday. The market consensus expects a 14% increase in quarterly profit per share, from \$0.65 a year ago to \$0.74 now.

The quarterly results will also for the first time include the results from the recently acquired Australian cheese and butter maker Warrnambool. The acquisition was finalized in February after a prolonged takeover battle in which a number of parties participated, driving up the price to what seemed to be a rich valuation. However, Warrnambool is performing well, with profits expected to jump almost threefold. The U.S. division of Saputo is also expected to make a solid contribution because of rising cheese prices and a weaker Canadian dollar. The Canadian operation is expected to deliver a lower profit as a result of declining dairy prices, with raw milk prices increasing.

The Saputo share price has increased by 21% so far this year and the market will be looking for strong results, ideally ahead of the consensus forecast, to justify the current price levels.

#### Hudson's Bay Company

Reporting Q1 2014 results on Tuesday, Hudson's Bay Company is expected to announce a loss per share of \$0.04 compared to a loss of \$0.12 a year ago. The company has retail operations in Canada and the U.S. including Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, and Home Outfitters.

The company underwent a significant change during the past year with the closure of its Zellers retail chain and the \$3 billion cash acquisition of Saks Incorporated late in 2013. Management indicated that EBITDA could increase by around 5% during the 2014 financial year with a focus on the growth of the various online businesses, the launch of Saks Fifth Avenue in Canada and the extraction of \$100 million of acquisition synergies by 2016.

A major focus point for the company, which now has a highly leveraged balance sheet after the recent acquisition, will be the monetization of its valuable real estate portfolio. This is already evident in the \$650 million sale and leaseback of its flagship downtown Toronto store and the adjacent office tower, with the remaining property portfolio having an estimated value of more than \$4 billion.

The HBC share price has not done much over the past year in a generally strong-performing equity market. Investors will want to see some evidence of progress by management to extract value from the Saks acquisition and monetization of the real estate portfolio in order to reduce the debt burden.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:SAP (Saputo Inc.)

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1. Investing

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