Empire Company Ltd. Announces Year-End Result; Is Now the Time to Buy?

Description

Another quarter is in the books for **Empire Company Limited** (TSX: EMP.A), and not just any quarter but its fourth-quarter and year-end results. Investors have been eagerly awaiting these results with Safeway becoming more and more integrated in the company's books.

So how did Empire and its flagship division Sobeys perform over the past 12 months and what can we expect going forward?

Empty your shopping carts, it's time to go over some results

Year-end revenues came in at $21 billion, a $3.59 billion increase over last year. This 20% increase in revenues may seem extremely impressive but that number drops down to 2.2% when Safeway is excluded from the results. Net earnings took an understandable hit following the blockbuster acquisition coming in at $151 million ($1.88 per diluted share) down from $372 million ($5.47 per diluted share) in 2012. When some of these expenses are taken out (including Safeway and the closing of Empire Theaters) we see an EBITDA of $1 billion for the year, up from $898 million a year prior.

Fourth-quarter revenues came in at $5.94 billion, up from $4.26 billion during the same quarter last year. Again these results have been greatly boosted by the inclusion of Safeway; the 39% jump in revenues becomes 2.2% when Safeway is excluded. Adjusted net earnings from continuing operations totalled $131.3 million ($1.42 per diluted share) up from $95.7 million ($1.40 per diluted share). Much like the year-end results, net earnings are not pretty, coming in at $1.5 million ($0.02 per share) down from $105.5 million ($1.51 per share).

Despite how net earnings look Empire Co. still raised its dividend for the 19th consecutive year. This 3.8% increase brings the yearly dividend to $1.04.

50 stores closing down

In a move that many were anticipating, Sobeys has announced that it will be closing at least 50 stores (or 3.8% of retail square footage), under the Sobeys, Safeway, IGA and Foodland banners. These have been identified as underperforming locations, with just over half in Western Canada. According to analysts at CIBC, at least 20 locations will be in Ontario, which is facing stiffer competition.

This announcement is part of the three-year plan to cut annual costs by $200 million after the Safeway acquisition. However to close these stores, Sobeys will be faced with $137 million in severance and site closing costs, plus $35.8 million in write-downs and a $3.1 million reversal of straight-line lease provisions.

Following the release of the report and news of the closures, the stock closed at $67.63. This is not that far from the 52 week low of $64.63 the stock saw at the beginning of the month. Analysts see some room for an upswing with the average price target being $75.10; this is short of the 52-week high of $83.29 the stock was trading at back in September.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)

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