



## 2 Stocks to Watch This Week

### Description

After the “new high” celebrations of the previous week, the **Toronto Stock Exchange 300 Composite Index** (^GSPTSE) lost some ground during the past week, closing 0.1% lower.

Winners and losers come from diverse sectors, with some gold producers among the best performers, such as **Eldorado Gold**, and worst performers, such as **Kinross Gold**. **Empire Company**, the Sobeys and Safeway operator, gained 6.4% after reporting good results. **Valeant Pharmaceuticals** jumped by 4.7% after the prospects for success in its takeover bid for **Allergan** received a boost with the announcement that Paulson & Co., the hedge fund operator, bought shares in Allergan and was apparently supportive of the proposed transaction.

The main corporate results season has not started yet, but the week ahead will bring the results announcements of a number of smaller but interesting companies — two of the expected highlights are discussed below.

#### 1. Sandvine Corporation

**Sandvine Corporation** (TSX: SVC) develops network policy control equipment and software for broadband internet service providers. This gives the service providers a better understanding of their networks and enables them to apply specific network policies to improve services for their subscribers, support the creation of new revenue-generating services, mitigate malicious traffic, and more efficiently manage network traffic. Sandvine has over 250 customers in more than 90 countries.

The company will report its second-quarter 2014 results late this week or early next week. Analysts are expecting the company to produce earnings per share of \$0.03 compared to \$0.01 for the same period a year earlier. The previous quarterly results were well ahead of investor expectations, with strong growth in both revenue and new customer acquisitions, which bodes well for another round of good results in the second quarter.

Sandvine's share price has performed extremely well over the past 18 months, having doubled since the start of 2013. A valuation of around 20 times 2014 profits appears reasonable for a company that seems to have outgrown its earlier troubles and is developing its business at a sound pace.

## 2. MTY Food Group

**MTY Food Group** ([TSX: MTY](#)) is an operator and owner of more than 2,500 fast food restaurants under multiple banners including Tiki Ming, Sukiyaki, Mr Souvlaki, Tutti Frutti, and SushiGo. The company is due to announce its second quarter of 2014 results on Friday, and analysts are expecting a profit per share of \$0.36 compared to \$0.33 for the same quarter a year ago.

The previous quarter delivered disappointing results, with revenue rising by 13% and expenses by 18%, leaving profit per share unchanged compared to the same period a year earlier. The increase in revenue was the result of acquisitions of 305 Extreme Pita, PurBlendz, and Mucho Burrito stores and 25 Thai Zone stores made in September 2013. The jump in operating expenses was attributed to these new acquisitions, bad debts provisions, and the closure costs of certain stores.

The integration and performance of the newly acquired stores will be closely scrutinized in the current quarter, as well as the performance of same-store sales, which again — for the seventh quarter in a row — reported a decline.

The share price of MTY has performed exceptionally well over the past few years but has now declined by 15% from the peak reached in late 2013. The company is priced at an 18 times forward P/E ratio, indicating that investors are expecting solid growth in years ahead. The decline in organic growth needs to be addressed for the company to resume its growth and performance trajectory.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)

## Category

1. Investing

## Date

2025/08/21

## Date Created

2014/06/30

## Author

deonvernooy

default watermark