



4 Key Takeaways From The Jean Coutu Group Inc.’s Second-Quarter Report

Description

The Jean Coutu Group Inc. (TSX: PJC.A), one of the largest pharmacy chains in Canada, released second-quarter earnings results on October 8, and its stock reacted by rallying 2.38% higher. The stock has now returned more than 35% year to date, far outperforming the TSX Composite Index, which has returned just over 7.5%. Let’s take a look at the four most important takeaways from the report and decide if this could be the starting point of a sustained rally higher.

(All results are reported in Canadian dollars.)

1. The results satisfied expectations

Here is a chart of what Jean Coutu achieved in the second quarter of fiscal 2015 versus what analysts had expected and its results in the same quarter a year ago.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.28	\$0.28	\$0.24
Revenue	\$674.4 million	\$664.8 million	\$653.8 million

Source: Financial Times.

2. Same-store sales rose significantly

Jean Coutu experienced significant same-store sales growth during the quarter. Here is a chart depicting this performance.

Same-Store Sales	Percentage Growth
Pharmacy	2.7%
Front-End	1.6%
Total	2.4%

Source: *The Jean Coutu Group*

3. Operating profit increased and the operating margin expanded

Operating profit increased 5.6% to \$73.1 million and the operating margin expanded 20 basis points to 10.8% in the second quarter. This growth and expansion is very impressive given the fact that generic drugs, which are much cheaper than brand name drugs, represented 68.1% of sales compared to 67.2% of sales in the year-ago quarter. Two other factors contributing to this growth and expansion were general and operating expenses decreasing 0.5% and depreciation and amortization decreasing 1.3% year over year.

4. Shares repurchases exceeded \$50 million

During the second quarter, Jean Coutu repurchased 2,574,100 shares of its class A shares at an average price of \$21.62 per share for a total cost of \$55.6 million including transaction-related expenses. In its first-quarter report, the company announced its intention to repurchase 8,190,000 of its outstanding class A shares, so this was a great start to the plan.

Should you initiate a long-term position today?

Jean Coutu's strong second-quarter results sent its stock more than 2.3% higher on the day of the release and I think it could continue to rally, setting new all-time highs in the process. Foolish investors should keep a close eye on this one and consider initiating long-term positions on any weakness provided by the market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TLRY (Aphria)

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