



## Is Empire Company Limited the Top Food Retailer to Own Today?

### Description

**Empire Company Limited** ([TSX: EMP.A](#)), the owner and operator of Sobeys' and Safeway grocery stores in Canada, announced second-quarter earnings on December 12 and its stock has since fallen about 1%. Let's break down the quarterly results to determine if this weakness represents a long-term buying opportunity or if we should look elsewhere for an investment today.

### The better-than-expected results

Here's a summary of Empire's second-quarter earnings for fiscal 2015 compared to what analysts had anticipated and its results in the year ago period.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$1.39	\$1.32	\$1.22
Revenue	\$5.99 billion	\$5.95 billion	\$4.41 billion

Source: *Financial Times*

Empire's adjusted earnings per share increased 13.9% and its revenue increased 35.8% compared to the second quarter of fiscal 2014. These strong results are primarily attributable to the company's acquisition of Safeway's operations in Canada, which closed in November 2013, and adjusted net earnings from continuing operations increasing 53.7% to \$128.2 million.

Here's a breakdown of eight other important statistics and updates from the report:

1. Sobeys's same-store sales increased 1.7%.
2. Adjusted EBITDA increased 49.6% to \$332.2 million.
3. Adjusted EBITDA margin expanded 51 basis points to 5.54%.
4. Operating profit increased 91.9% to \$204.2 million.
5. Operating margin expanded 100 basis points to 3.41%.
6. Gross profit in the Food Retail segment increased 49.1% to \$1.48 billion.
7. Gross margin in the Food Retail segment expanded 221 basis points to 24.7%.

8. Generated \$140 million of free cash flow, a decrease of 17.5% from the year-ago period.

### Should you invest in Empire today?

Empire Company Limited is one of the largest food retailers in Canada, and its strategic acquisition of Safeway's operations in Canada in November of 2013 paired organic growth led it to a strong financial performance in the second quarter. The company's earnings per share increased 13.9% and its revenue increased 35.8%, both of which surpassed analysts' expectations, but weakness in the overall market led to its stock falling about 1% in the trading session that followed.

I think the weakness in Empire's stock represents a long-term buying opportunity, because after the slight decline following its earnings release, it trades at just 15.5 times fiscal 2015's earnings estimates and only 13.4 times fiscal 2016's estimates, and it has the added buffer of a 1.3% dividend yield.

With all of this information in mind, I think long-term investors should strongly consider initiating positions in Empire Company Limited today and adding to them on any further weakness provided by the market.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### Category

1. Investing

### Date

2025/09/08

### Date Created

2014/12/15

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