



Is Now the Time to Invest in The North West Company?

Description

The North West Company ([TSX: NWC](#)), a leading retailer of food and household products to underserved rural and urban markets in Northern Canada, Western Canada, Alaska, the South Pacific Islands, and the Caribbean, released third-quarter earnings on the morning of December 11 and its stock has responded by rising more than 7.5% in the trading sessions since.

The stock is nearing its all-time highs, so let's take a closer look at the results to determine if we should consider buying into this rally or if we should wait for it to subside.

The mixed Q3 results

Here's a summary of North West's third-quarter earnings compared to what analysts had expected and its results in the year-ago period.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.37	\$0.38	\$0.36
Revenue	\$413.51 million	\$403.14 million	\$387.17 million

Source: *Financial Times*

North West's earnings per share increased 2.8% and its revenue increased 6.8% compared to the third-quarter of fiscal 2013. These results were driven by net income rising 5.8% to \$18.40 million and sales increasing 3.6% to \$263.3 million in Canada and 12.9% to \$150.21 million internationally.

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

1. Same-store sales increased 3.7%.
2. Gross profit increased 3% to \$119 million.
3. The gross margin contracted 100 basis points to 28.8%.
4. EBITDA increased 3.6% to \$37.8 million.
5. The EBITDA margin contracted 30 basis points to 9.1%.

6. Operating profit increased 3.7% to \$27.87 million.
7. The operating margin contracted 20 basis points to 6.7%.
8. Generated \$11.99 million of free cash flow.

Lastly, North West announced that it would be maintaining its quarterly dividend of \$0.29 per share and it will be paid out on January 15, 2015, to shareholders of record at the close of business on December 31, 2014.

Should you invest in The North West Company today?

The North West Company is one of leading retailers to North America's rural communities and urban neighborhood markets, and increased traffic at its stores led it to a great third-quarter performance. The company reported year-over-year increases in earnings per share, revenue, same-store sales, gross profit, EBITDA, and operating profit, and these strong results has led to its stock rising over 7.5% in the trading sessions since.

I think The North West Company represents an intriguing investment opportunity today. Even after the post-earnings pop in its stock, it still trades at just 18.5 times this year's earnings per share estimates of \$1.37 and only 17.2 times next year's earnings per share estimates of \$1.47. Also, the stock has a bountiful 4.6% dividend yield, making it both a value and dividend play.

With all of this information in mind, I think long-term investors should strongly consider initiating positions in The North West Company today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

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