Could This Stock Rise Another 50% in 2015?

Description

The Jean Coutu Group Inc. (TSX: PJC.A), one of the largest drugstore chains in Canada, has watched its stock soar over 50% in 2014, far outperforming the TSX Composite Index's rise of just over 6%. Strong earnings growth has played a primary role in the company's rising share price, and with this in mind, it is scheduled to release third-quarter earnings on January 8. Let's take a look at three of the most important factors to watch for in the report and then determine if we should consider initiating long-term positions today.

1. Earnings per share and revenue results

First off, it will be very important for Jean Coutu's earnings per share and revenue results to meet or exceed the expectations of analysts. Here's a chart of what analysts currently expect to see and the company's actual results in the year-ago period.

Metric	Expected	Year-Ago
Earnings Per Share	$0.32	$0.30
Revenue	$732.6 million	$712.5 million

Source: Financial Times

The estimates above call for earnings per share to increase 6.7% and revenue to increase 2.8% compared to the third-quarter of fiscal 2014, which seem attainable given the fact that the company reported earnings per share growth of 16.3% and revenue growth of 2.1% in the first-half of fiscal 2015.

2. Same-store sales and prescriptions growth

Secondly, investors will want to watch for Jean Coutu's same-store sales and prescriptions growth in the third quarter. Here are two charts of what the company accomplished in the first and second quarters of the year, and the consolidated results for the first half.

Same-Store Sales	Q1 2015	Q2 2015	First-Half 2015

Pharmacy	0.3%	2.7%	1.5%
Front-End	(0.5%)	1.6%	0.5%
Total	0.1%	2.4%	1.3%

Source: The Jean Coutu Group

Prescriptions Growth	**Q1 2015**	**Q2 2015**	**First-Half 2015**
Same-Store	3.7%	3.5%	3.6%
Total Stores	4.2%	3.9%	4.0%

Source: The Jean Coutu Group

3. Share repurchase activity

Lastly, investors will want to watch for the total amount of shares repurchased by Jean Coutu in the third quarter. In its first quarter report, the company stated that it intended to repurchase 8,190,000 of its outstanding class “A” shares and it put this plan into action immediately by repurchasing 2,574,100 shares for a total cost of $55.6 million in the first-half of the year. There are now 5,615,900 shares remaining for repurchase, so it would be ideal for Jean Coutu to repurchase at least one million shares in the third quarter.

Should you buy Jean Coutu today?

The Jean Coutu Group is home to one of the largest drugstore chains in Canada, and increased prescription sales led it to a strong financial performance in the first-half of fiscal 2015, and its stock has reacted accordingly be rallying more than 50% higher year-to-date. The company is scheduled to release third-quarter earnings on January 8, and I think momentum from the first-half of the year will carry over and lead it to another solid quarter, and perhaps ignite another rally in its shares.

Even after the stock’s rise of over 50% in 2014, it still trades at very inexpensive valuations, including just 22.6 times fiscal 2015’s estimated earnings per share of $1.22 and only 20.9 times fiscal 2016’s estimated earnings per share of $1.32. In addition, it pays an annual dividend of $0.40 per share, giving it a respectable 1.45% yield at current levels, making it both a value and dividend play.

With all of this information in mind, I think long-term investors should consider The Jean Coutu Group to be one of the best investment opportunities in the Drug Store industry today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TLRY (Aphria)

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