



Should George Weston Limited Be Added to Your Portfolio Today?

Description

George Weston Limited ([TSX:WN](#)), Canada's largest food processor and distributor, and the company behind Loblaw Companies and Weston Foods, announced better-than-expected first-quarter earnings results on the morning of May 12, but its stock responded by falling over 1% in the trading session that followed. Let's take a closer look at the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity, or if there is an underlying factor holding the stock back.

The better-than-expected first-quarter results

Here's a summary of George Weston's first-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$1.19	\$1.15	\$0.89
Revenue	\$10.41 billion	\$10.39 billion	\$7.61 billion

Source: *Financial Times*

George Weston's adjusted earnings per share increased 33.7% and its revenue increased 36.7% compared with the first quarter of fiscal 2014, as its adjusted net income increased 30.6% to \$162 million. These very strong results can largely be attributed to Loblaw's \$12.4 billion acquisition of Shoppers Drug Mart, which closed in March 2014 and contributed \$2.6 billion of revenue, or 92.8% of George Weston's total revenue growth in the first quarter.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Revenue increased 37.8% to \$10.05 billion in its Loblaw segment
2. Revenue increased 12.2% to \$504 million in its Weston Foods segment
3. Adjusted earnings before, interest, taxes, depreciation, and amortization (EBITDA) increased

55.1% to \$850 million

4. Adjusted EBITDA margin expanded 100 basis points to 8.2%
5. Adjusted operating income increased 73.9% to \$586 million
6. Adjusted operating margin expanded 120 basis points to 5.6%
7. Cash flow from operating activities increased \$515 million to \$517 million
8. Free cash flow increased \$357 million to \$81 million

George Weston also announced a 1.2% increase to its quarterly dividend to \$0.425 per share, and the next payment will come on July 1 to shareholders of record at the close of business on June 15.

Should you buy George Weston on the dip?

George Weston's first quarter was very strong, so I think the slight decline in its stock was a result of nothing more than overall weakness in the market. With this being said, I think the decline represents a very attractive long-term buying opportunity.

First, George Weston's stock trades at just 17.2 times fiscal 2015's estimated earnings per share of \$5.79 and only 15 times fiscal 2016's estimated earnings per share of \$6.64, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 27.7.

Second, George Weston now pays an annual dividend of \$1.70 per share, giving its stock a 1.7% yield at today's levels. A 1.7% dividend is not high by any means, but it is very important to note that the company has increased its dividend four times in the last three years, and its increased amount of free cash flow could allow another increase in the very near future.

With all of the information provided above in mind, I think George Weston represents one of the best long-term investment opportunities in the market today. All Foolish investors should take a closer look and consider making it a core holding.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WN (George Weston Limited)

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