



Should You Buy or Avoid Empire Company Limited Today?

Description

Empire Company Limited ([TSX:EMP.A](https://www.empirecompany.com)), one of the largest owners and operators of grocery stores in Canada, announced fourth-quarter earnings results after the market closed on June 24, and its stock has responded by making a slight move to the upside. Let's take a closer look at the results to determine if we should consider initiating long-term positions today, or if we should wait for a better entry point in the trading sessions ahead.

Breaking down the fourth-quarter results

Here's a summary of Empire's fourth-quarter earnings results compared with what analysts had expected and its results in the same period a year ago.

Metric	Q4 2015 Reported	Q4 2015 Expected	Q4 2014 Reported
Adjusted Earnings Per Share	\$1.50	\$1.49	\$1.43
Revenue	\$5.77 billion	\$5.90 billion	\$5.94 billion

Source: *Financial Times*

Empire's adjusted earnings per share increased 4.9% and its revenue decreased 2.9% compared with the fourth quarter of fiscal 2014. The company's strong earnings-per-share growth can be attributed to its adjusted net income from continuing operations increasing 5% to \$138.7 million, including 3.9% growth to \$117.4 million in its Food Retailing segment and 11.5% growth to \$21.3 million in its Investments & Other Operations segment.

Its slight decline in revenue, which it had expected, was primarily a result of retail store divestitures and store closures, along with lower fuel sales as a result of low oil prices.

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

1. Sobeys same-store sales, excluding fuel sales, increased 2.1%

2. Sobeys same-store sales, including fuel sales, increased 0.8%
3. Adjusted earnings before interest, taxes, depreciation, and amortization increased 6.1% to \$340.9 million
4. Free cash flow decreased 6.6% to \$584.8 million
5. Operating income increased 407.4% to \$116.2 million
6. The board of directors recommended a three-for-one share split, which will be voted on at the company's annual general meeting on September 10

Empire also announced an 11.1% increase to its quarterly dividend to \$0.30 per share, and the next payment will come on July 31 to shareholders of record at the close of business on July 15.

Should you buy shares of Empire today?

Overall, it was a solid quarter for Empire, so I think its stock has responded correctly by moving higher. I also think this could be the beginning of a sustained rally to new all-time highs for the stock. It trades at very inexpensive forward valuations and the company has shown a strong dedication to maximizing shareholder value.

First, Empire's stock trades at just 16.2 times fiscal 2015's adjusted earnings per share of \$5.62 and only 14.4 times fiscal 2016's estimated earnings per share of \$6.31, both of which are inexpensive compared with the industry average price-to-earnings multiple of 23.9.

Second, Empire now pays an annual dividend of \$1.20 per share, giving its stock a 1.3% yield at current levels. A 1.3% yield may not seem like much at first, but it is very important to note that this increase marked the 20th consecutive year in which the company has increased its annual dividend payment, making it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think Empire represents one of the best long-term investment opportunities in the market. Foolish investors should take a closer look and strongly consider beginning to scale in to positions today.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

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

Category

1. Investing
2. Stocks for Beginners

Date

2025/09/08

Date Created

2015/06/25

Author

jsolitro

default watermark

default watermark