



A Rare 30% Drop for Le Groupe Jean Coutu PJC Inc.

Description

With a network of over 400 franchised stores, **Le Groupe Jean Coutu PJC Inc.** (TSX:PJC.A) is one of the more recognizable Canadian brands. The company operates in two operating segments: franchising and pharmaceuticals. This allows the company to not only franchise its Jean Coutu pharmacies, but also to profit on the sale of the drugs themselves. Over 60% of sales actually come from its drugs division.

After a four-year run of over 250%, Jean Coutu stock is down nearly 30% since the year began. This would be the first year of negative returns in the past five-year period. Trading at only 17 times earnings, is this a rare opportunity for investors to get in on a long-term winner?

A strong brand no matter what the stock price

Odds are, if you've ever lived in any of Jean Coutu's markets, you're well aware of the company's brand name.

According to a survey published by the Canadian Business magazine, the Jean Coutu Group ranks second among the most respected Canadian brands, behind only **Tim Hortons Inc.** Another survey carried out by Marketelle in 2014 found that Jean Coutu is one of Canadian women's favourite brands.

While stock prices fluctuate, strong brand reputations such as Jean Coutu's have stood the test of time. With great branding typically comes long-term profits and revenue growth.

An underappreciated dividend payer

The recent dip in the stock price has helped push the company's yield from 1.6% to 2.2%. While this is hardly the highest yield available on the market, the company has only started focusing on dividends in 2009. Since then, Jean Coutu has been able to grow its payout by 19% annually. That's some enviable growth.

When you combine an all-time high yield with the company's commitment to strong dividend growth, investors may be looking at an attractive dividend rate not too far down the road.

Insider buying a bonus

Typically, a company's management has a better grasp on the business and its prospects than individual outside investors. Fortunately, it looks like insiders are fairly bullish on the stock.

On August 17, a company director purchased 5,000 shares worth over \$100,000. Jean Coutu himself bought another 3,500 share that week for a total of over \$70,000. Having company management put their money where their mouth is should bode well for investor expectations.

Ride this long-term stock

Not only is the company cheaper than it has been in years, but its long-term growth prospects haven't changed. Industry trends like higher drug spending and demographics such as old age are here to stay. With a promising dividend and insider buying, now looks like a great time to get in on a stock that hasn't dropped this much in over five years.

CATEGORY

1. Dividend Stocks
2. Investing

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