



## George Weston Limited's Q3 EPS Rises 4.4%: What Should You Do Now?

### Description

**George Weston Limited** ([TSX:WN](#)), the largest food processor and distributor in Canada and the company behind **Loblaw Companies Limited** and Weston Foods, announced third-quarter earnings results before the market opened on November 24, and its stock responded by rising over 1% in the day's trading session. Let's take a closer look at the quarterly results to determine if this could be the start of a sustained rally higher and if we should consider initiating positions today.

### The results that came in mixed compared with expectations

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

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Adjusted Earnings Per Share	\$1.66	\$1.66	\$1.59
Revenue	\$14.39 billion	\$14.44 billion	\$13.97 billion

Source: *Financial Times*

George Weston's adjusted earnings per share increased 4.4% and its revenue increased 2.9% compared with the third quarter of fiscal 2014. The company noted that its strong earnings-per-share growth could be attributed to its adjusted net income increasing 3.9% to \$212 million primarily due to an improved operational performance in its Loblaw segment.

Its slight revenue growth can be attributed to growth in both of its major segments, including 2.6% growth to \$13.95 billion in its Loblaw segment and 13.1% growth to \$649 million in its Weston Foods segment. This growth is primarily due to increased same-store sales and a positive impact from foreign currency translation.

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

1. Retail gross profit increased 5.8% to \$3.56 billion in its Loblaw segment
2. Adjusted earnings before, interest, taxes, depreciation, and amortization increased 1.5% to \$1.12 billion
3. Adjusted operating income increased 36.4% to \$566 million
4. Cash flows from operating activities increased 51.7% to \$1.13 billion
5. Free cash flow increased 209.7% to \$545 million
6. Adjusted debt decreased 9.7% to \$10.62 billion

George Weston also announced that it will be maintaining its quarterly dividend of \$0.425 per share, and the next payment will come on January 1 to shareholders of record at the close of business on December 15.

### **What should you do with George Weston's stock today?**

Overall, it was a great quarter for George Weston, so I think its stock has responded correctly by moving higher. I also think this could be the start of a sustained rally higher and that the stock represents a great long-term investment opportunity today, because it still trades at inexpensive forward valuations and because it is a dividend-growth play.

First, George Weston's stock still trades at just 19.2 times fiscal 2015's estimated earnings per share of \$5.73 and only 16.3 times fiscal 2016's estimated earnings per share of \$6.73, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 50.3 and the industry average multiple of 28.9.

I think George Weston's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of \$134 by the conclusion of fiscal 2016, representing upside of more than 21% from today's levels.

Second, George Weston pays an annual dividend of \$1.70 per share, giving its stock a 1.55% yield. This yield may not peak your interest at first, but it is very important to note that the company has raised its dividend for three consecutive years, and its increased amount of free cash flow, including 134.6% year-over-year growth to \$1.24 billion in the first 40 weeks of fiscal 2015, could allow this streak to continue in 2016.

With all of the information provided above in mind, I think Foolish investors should strongly consider initiating positions in George Weston today.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:WN (George Weston Limited)

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1. Investing

### **Date**

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