



3 Reasons to Buy George Weston Limited Right Now

Description

George Weston Limited ([TSX:WN](#)) is the largest food processor and distributor in Canada, and it is the company behind **Loblaw Companies Limited** and Weston Foods. Its stock has delivered strong returns for investors in 2015, rising more than 6%, and I think it will continue to do so going forward, so let's take a look at three of the primary reasons why you should be a buyer today.

1. Its strong financial results could support a rally

On the morning of November 24, George Weston announced very strong earnings results for its 16- and 40-week periods ended on October 10, 2015. Here's a summary of 10 of the most notable statistics from the first 40 weeks of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income increased 11.7% to \$534 million
2. Adjusted earnings per share increased 11.8% to \$4.18
3. Total revenue increased 10.8% to \$35.65 billion
4. Revenue increased 10.7% to \$34.53 billion in its Loblaw segment
5. Revenue increased 11.2% to \$1.62 billion in its Weston Foods segment
6. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 14.8% to \$2.88 billion
7. Adjusted EBITDA margin improved 30 basis points to 8.1%
8. Operating income increased 329.6% to \$1.51 billion
9. Cash flow from operating activities increased 52.4% to \$2.68 billion
10. Free cash flow increased 134.6% to \$1.24 billion

2. Its stock trades at inexpensive forward valuations

At today's levels, George Weston's stock trades at just 18.8 times fiscal 2015's estimated earnings per share of \$5.69 and only 16 times fiscal 2016's estimated earnings per share of \$6.68, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 41.6 and the industry average multiple of 27.2.

With the multiples above and its estimated 12.8% long-term earnings growth rate in mind, I think

George Weston's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of \$133 by the conclusion of fiscal 2016, representing upside of more than 24% from current levels.

3. It is a dividend-growth play

George Weston pays a quarterly dividend of \$0.425 per share, or \$1.70 per share annually, giving its stock a 1.6% yield. This yield may not seem like much at first, but it is very important to note that the company has raised its dividend for three consecutive years, and its strong financial performance, including the aforementioned 134.6% year-over-year increase in free cash flow to \$1.24 billion in the first 40 weeks of fiscal 2015, could allow this streak to continue in 2016.

Does George Weston fit your investment needs?

I think George Weston will continue to deliver strong returns for its shareholders over the next several years, so all Foolish investors should strongly consider making it a core holding.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WN (George Weston Limited)

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