



## Andrew Peller Ltd.: Something We Can All Relate to — Dividends Included

### Description

Over the holidays, like many of you, I had the opportunity to sample a number of different wines from many different places in the world. This year I enjoyed the red much more than the white. The difference in selection this time around was very noticeable from previous years. Traditionally, I've enjoyed wines from Italy and France with the occasional North American wine. Ontario or B.C. wines were rarely served.

### Things are starting to change

I have noticed at almost every social event the presence of Ontario wines and the occasional wine from B.C. It seems distribution for companies such as **Andrew Peller Ltd.** ([TSX:ADW.A](#)) and other Canadian wineries has improved dramatically. As a client and now a potential investor, I've begun to take notice like many others.

What began in 1964 in Port Moody, B.C. has grown into a company with wine-making operations in B.C., Ontario, and Nova Scotia, which include a number of well-known wine brands, including the Wayne Gretzky brand, Peller Estates, XO XO, French Cross, Sandhill, and a favourite to shout out, Red Rooster.

In the past year, investors, in addition to consumers, have noticed the company. In 2016, shares increased approximately 72% in addition to the dividend, which currently yields just under 1.5%. Going back to the beginning of the year, the dividend yield would have been in excess of 2.25% for a buyer at the lower prices.

With growth in revenues from \$289 million in fiscal 2013 to \$334 million in fiscal 2016, the CAGR (compounded annual growth rate) of revenues translates to 4.94%. The CAGR of net income has been at a rate of 7.72% over the same period. Clearly, the increase in revenues has translated to an increase in profits to the bottom line. This is exactly what investors like to see.

As the company continues to increase dividends and revenues, it is clear the market is expecting a high flow-through rate from the top line to the bottom line.

Currently trading at a price to earnings ratio (P/E) of 23 times, there are high expectations for the future growth prospects of the company. Since 2014, management has increased the dividend a number of times signaling a prosperous future.

Looking at the technical indicators of the company, the past year has been fantastic for investors. The 10-day, 50-day, and 200-day averages are all moving upwards with the 10-day moving average topping the 50-day moving average, which in turn is flying higher than the 200-day moving average. Things are going well for long-term investors.

## Conclusion

Being a consumer of the company's products does not necessarily translate to an automatic buy. Although things are going well at Andrew Peller Ltd., the reality is, the wine business is very capital intensive with a long lag time to production. This security could potentially offer excellent upside in the next few years, but it will be difficult to get the train back on the tracks if there were ever to be a derailment.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:ADW.A (Andrew Peller Limited)

## PARTNER-FEEDS

1. Msn
2. Yahoo CA

## Category

1. Investing

## Date

2025/08/07

## Date Created

2017/01/10

## Author

ryangoldsman

default watermark