



Empire Company Limited Has a New CEO: Is it Time to Buy?

Description

Empire Company Limited ([TSX:EMP.A](#)) has been in free-fall mode for almost two years straight. The stock lost 52% of its value during this time, and there looks to be no bottom in sight. The company recently announced that it hired former **Canadian Tire Corporation Limited** CEO Michael Medline as its new CEO for Empire and Sobeys. Is this move the start of a rebound for Empire's troubled stock?

Michael Medline knows the Canadian retail industry very well and has a proven track record of excellence with his time at Canadian Tire. Empire has been looking for a new leader for quite some time, according to Empire chair James Dickson. I believe Michael Medline is a step in the right direction for Empire. There are a lot of problems with Empire's operations, but they can be fixed with Michael Medline at the helm.

Empire's complex operational structure is a complete mess right now, and it's unlikely the company will rebound overnight. According to an analyst from RBC Dominion Securities, "meaningful changes are unlikely to make an impact on its income statement until its 2019 fiscal year." The management team has been scrambling for change over the last two years, but very little progress has been made. A new CEO was necessary, and Michael Medline is a fantastic choice.

The company has terrific brands in Sobeys and Safeway, which will always be household Canadian names. Empire may be facing difficult times right now, but I don't think the business is permanently broken. The operational structure is in really bad shape, and it will take a lot of time and money to fix. Most of the short-term thinkers have already jumped ship, so if you're a patient investor, then buy shares now and collect the 2.7% dividend yield while you wait for shares to rebound over the next few years.

There's no question the grocery sector isn't the most attractive place to be right now. Margins are expected to remain low for the long run, and there will be no quick profits in such a business. Empire looks to be oversold right now and deep-value investors should definitely keep Empire on their radar as the stock continues to fall into the abyss.

The stock is ridiculously cheap at current levels, and there's a very nice margin of safety for anyone looking to buy into the stock right now. While it may take a few years to fully rebound, I do think the

company is on the right track with the hiring of a new CEO.

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