



## Empire Company Limited: Let the Games Begin!

### Description

This past Friday, shares of **Empire Company Limited** ([TSX:EMP.A](#)) increased in value by \$1.19, translating to a gain in excess of 7.5%. Although the one-day gain may seem like a fantastic day for investors, the reality is, the one-day move is nothing more than a rounding error for long-term investors.

The reason for the one-day increase is the announcement of the appointment of Michael Medline as the new president and CEO of the company. For those familiar with the name, Mr. Medline held the top job at **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) for approximately two years. In July of this year, he was abruptly replaced.

Although shareholders of Empire Company Limited were clearly excited about the news, the rise in the share price may be due to nothing more than the board of directors offering clarity to the shareholders. Being held in purgatory can take a toll after a little while. In the two years Mr. Medline was at Canadian Tire shares had an increase in value, and shareholders also had an increase in earnings — this is good news.

The economy improved significantly during those two years. As the old saying goes, “A rising tide lifts all boats.” This has never been more true.

For the fiscal year ending January 2, 2016, total revenues at Canadian Tire (under the leadership of Mr. Medline) declined by almost 1.5%. For a retailer as diversified as this one, a decline in sales is a complete failure. Given inflation for the year 2015 was approximately 1.6%, the decline of 1.5% equates to “missing the mark” by more than 3%.

### How is this possible?

For a company like Canadian Tire, sales should be increasing by at least inflation in every given year. Given the diversified product line up from food to housewares to sporting equipment and automotive, inflation, or the consumer price index, is really the benchmark for sales comparisons year over year.

Looking back at the company’s financials for the year, the earnings per share managed to increase by 13% for fiscal 2015 thanks to cost cutting. Clearly, a very good job was done by the man in the top job

on this front.

Looking now to Empire Company Limited, which operates in an incredibly price-competitive environment, the reality is, the company may have hired the right person for the job — at least in the short term. Mr. Medline was only in the top job at his previous employer for two years. For long-term shareholders who'd bought their shares at \$30, Friday's increase is only an increase of 4%. For more recent buyers, the price appreciation could be as high as 8%. All things are relative.

Given the company's excellent brand and distribution, I'm excited about the long-term prospects of Empire Company Limited, but it won't be without bumps in the road. The past year has been a tumultuous one for shareholders. Next year will be no different.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:EMP.A (Empire Company Limited)

## **PARTNER-FEEDS**

1. Msn
2. Yahoo CA

## **Category**

1. Investing

## **Date**

2025/08/24

## **Date Created**

2017/01/17

## **Author**

ryangoldsman

default watermark

default watermark