



Setting Expectations: Empire Company Limited to Release Earnings This Week

Description

This week, **Empire Company Limited** ([TSX:EMP.A](#)) will report earnings for the third quarter of fiscal 2017. For those who've followed the story, these will be the first earnings report released under the new president and CEO Michael Medline, who recently came over from a retail competitor.

As is often the case, the expectations for the first earnings release when a new CEO is at the helm are not necessarily very high. The good news for investors is, the bad news has already come out over the past two years. New CEO Michael Medline doesn't necessarily have to do anything to "clean the slate." The goodwill has already been impaired, and the revenues have already fallen.

Looking at the stock price since the appointment of the new CEO, the market seems to have at least turned away from a negative sentiment to a neutral sentiment. After the next earnings release, the sentiment could potentially even turn positive.

Looking at the technical indicators of this company, the support level has clearly been found at a price close to \$15 per share with the stock moving sideways and beginning to creep up a little.

Over the past month, shares have held on to the gains put on the board, and investors have witnessed the 10-day simple moving average (SMA) cross over the 50-day SMA, signaling the potential beginning of a medium-term bullish trend. The test will come with the earnings release and beyond as the SMAs will show investors exactly what is happening.

If the share price continues to rise and the 50-day SMA crosses over the 200-day SMA, the stock will clearly be in bullish territory, meaning the recovery may be upon us once again.

It is very important to note that a large part of the operations of Empire Company Limited are in western Canada, which has been hit very hard by the shock in the oil sector. As oil has also bottomed and started to recover from the lows, a number of people are now returning to work. This is good news for Empire Company Limited because for a grocery store, more mouths to feed is good for business!

Investors considering a new position in this security may want to put half their eggs in the basket before earnings and then the second half in afterwards. While the stock price and revenues have

declined significantly over the past few years, it is important to realize the margins for grocery stores are very thin. Each marginal client gained or lost can make a huge difference to the bottom line.

At this point, investors should be hopeful the worst is over and that people who left western Canada will return, and hopefully soon. For Empire Company Limited to experience the good times, things don't have to go back to what they were; things just have to improve marginally!

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