Andrew Peller Ltd. Continues to Win With Gretzky

Description

Andrew Peller Ltd. (TSX:ADW.A), in partnership with the Great One, officially launched Wayne Gretzky's No. 99 Red Cask Whisky back in October to good reviews.

However, it wasn't until I saw it on the shelves at my local LCBO recently that I remembered that Canada's second-largest winemaker had a good thing going with Canada's arguably all-time greatest athlete.

It's one of many reasons why investors ought to consider this small-cap stock which continues to make strategic acquisitions to complement the organic growth it's experiencing from its wines and other offerings such as whisky, etc.

Long term, I don't see why Peller can't have a billion-dollar market cap. Here's why.

Peller and Gretzky came together in November 2011 when the company signed a 10-year licensing agreement with the Great One, giving it exclusive rights to make and sell wines under the Gretzky name. Peller brought the wine-making experience (Gretzky had been selling wine since 2007) and marketing clout, while Gretzky brought the name recognition here in Canada and the U.S.

How big is the Gretzky wine business?

According to Peller's annual information form, it's the 10th largest VQA brand in English Canada (VQA wines are made from grapes grown exclusively in Ontario or B.C.) growing 16% in fiscal 2016 alone. The introduction of the whisky offering has given Gretzky's brand an added dimension of growth; as a result, the Gretzky operations will move into a 23,000-square-foot facility this spring to accommodate both wine making and distilling under one roof.

And it's only natural that Peller's Trius winery has a skating rink beside it for cold winter days.

Not only is the Gretzky brand firing on all cylinders, but so too is the rest of the Peller business.

In Q3 2017, its strongest quarter in the year, Peller grew revenues and adjusted earnings 2.5% and

10.7%, respectively, on revenue growth across all of its brands and gross margins that improved 100 basis points to 37.3%.

Fiscal 2017 is turning out to be a strong year for the Peller family, which controls the company with 66.5% of the Class B voting shares. Many don't like dual-class share structures; I'm not one of them. I'd rather invest in a family-controlled business that's well run than a lousy one with no controlling shareholder.

"Our growth in the quarter was broad-based across the majority of our product lines and markets," Randy Powell, president, said in its Q3 2017 press release in early February. "Looking ahead, we expect to achieve record performance for the full fiscal 2017 year, and continued growth and solid results going forward."

Normally, Peller is free cash flow positive on an annual basis. However, in fiscal 2017, it likely won't be because of the opening of the Gretzky facility. No matter. Your $0.16 annual dividend (1.1% yield) is very safe thanks to the company's excellent financial condition. As of December 31, 2016, it had $47.8 million in long-term debt, which is a very reasonable 14% of total assets.

Currently trading around 1.3 times annual revenue, its valuation is lower than many of its peers in the U.S. and Canada.

Andrew Peller might be a small cap, but with teammates like Wayne Gretzky, it's bound to keep making all the right moves.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date
2025/08/15
Date Created
2017/03/22
Author
washworth