Why George Weston Limited Is Down 2% Today

Description

George Weston Limited (TSX:WN), Canada's largest food processor and distributor, released its second-quarter earnings results this morning, and its stock has responded by falling 2% in early trading. Let's take a closer look at the results and the fundamentals of its stock to determine if we should use this as a long-term buying opportunity or if we should wait for an even better entry point next week.

The results that failed to impress

Here's a breakdown of eight of the most notable statistics from George Weston's 12-week period ended on June 17, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Sales	$11,435 million	$11,075 million	3.3%
Operating income	$639 million	$525 million	21.7%
Adjusted EBITDA	$1,037 million	$981 million	5.7%
Adjusted EBITDA margin	9.1%	8.9%	20 basis points
Adjusted net earnings	$216 million	$200 million	8%
Adjusted earnings per share (EPS)	$1.67	$1.56	7.1%
Operating cash flow	$916 million	$777 million	17.9%
Free cash flow	$543 million	$394 million	37.8%

What should you do with George Weston now?

I think it was a good quarter overall for George Weston, and it capped off a solid first half of the year for the company, in which its sales increased 1.6% year over year to $22.24 billion and its adjusted EPS increased 8.4% year over year to $3.09. However, the second-quarter results came up short of the consensus estimates of analysts polled by **Thomson Reuters**, which called for adjusted EPS of $1.68 on revenue of $11.51 billion, so that's why its stock has fallen 2%. That being said, I think the decline represents an attractive entry point for long-term investors for two reasons in particular.

First, it trades at very attractive valuations. George Weston's stock now trades at just 15.8 times fiscal 2017's estimated EPS of $6.97 and only 14.2 times fiscal 2018's estimated EPS of $7.79, both of which are inexpensive given its current earnings-growth rate and its estimated 7.6% long-term growth rate.

Second, it's a great dividend-growth stock. George Weston pays a quarterly dividend of $0.455 per share, equal to $1.82 per share annually, which gives it a 1.65% yield. A 1.65% yield is far from high, but it's important to note that the company has raised its annual dividend payment for five consecutive years, and its 3.4% hike in May has it positioned for 2017 to mark the sixth consecutive year with an increase.

With all of the information provided above in mind, I think Foolish investors should consider using the post-earnings weakness in George Weston to begin scaling in to long-term positions.

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jsolitro