



Why Saputo Inc. Rose 2.65% on Tuesday

Description

Saputo Inc. ([TSX:SAP](#)), one of the world's largest dairy processors, announced its first-quarter earnings results and a dividend hike on Tuesday, and its stock responded by rising 2.65% in the day's trading session. Let's take a closer look at the results, the dividend hike, and the fundamentals of its stock to determine if this is the start of a sustained rally higher and if we should be long-term buyers today.

Breaking down the financial results

Here's a breakdown of eight of the most notable statistics from Saputo's three-month period ended on June 30, 2017, compared with the same period a year ago:

Metric	Q1 2018	Q1 2017	Change
Revenues – Canada	\$999.2 million	\$997.1 million	0.2%
Revenues – U.S.A.	\$1,578.3 million	\$1,391.0 million	13.5%
Revenues – International	\$314.6 million	\$243.3 million	29.3%
Total revenues	\$2,892.1 million	\$2,631.4 million	9.9%
EBITDA	\$355.2 million	\$318.2 million	11.6%
Earnings before income taxes	\$291.6 million	\$256.2 million	13.8%
Net earnings	\$200.3 million	\$176.7 million	13.4%
Earnings per share (EPS) – diluted	\$0.51	\$0.44	15.9%

Dividend hike? Yes, please!

In the press release, Saputo also announced a 6.7% increase to its quarterly dividend to \$0.16 per share, and the first installment at this increased rate is payable on September 15 to shareholders of record on September 5.

What should you do with the stock now?

It was a great quarter overall for Saputo, and the results surpassed the consensus estimates of analysts polled by **Thomson Reuters**, which called for EPS of \$0.49 on revenue of \$2.87 billion. That being said, I think the 2.65% jump in its stock was warranted, and I think it still represents a great long-term investment opportunity for two primary reasons.

First, it's still attractively valued. Even after the rally, Saputo's stock trades at just 21.5 times fiscal 2018's estimated EPS of \$2.02 and only 19.5 times fiscal 2019's estimated EPS of \$2.22, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 32.8. These multiples are also inexpensive given its current earnings-growth rate and its estimated 9.5% long-term growth rate.

Second, it's a dividend-growth star. Saputo now pays an annual dividend of \$0.64 per share, which brings its yield up to about 1.5%. A 1.5% yield is far from high, but what it lacks in yield it makes up for in growth; it has raised its annual dividend payment for 17 consecutive fiscal years, and the hike it just announced has it positioned for fiscal 2018 to mark the 18th consecutive year with an increase.

With all of the information provided above in mind, I think Saputo would make a great addition to any Foolish portfolio, so take a closer look and consider adding it to yours today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SAP (Saputo Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2017/08/02

Author
jsolito

default watermark

default watermark