



Morneau Shepell Inc. Has Been in the Political News: Is it a Good Stock Buy?

Description

With all of the news out this week about Canadian finance minister Bill Morneau and the ethics of him not putting all of his assets in a blind trust, I kept seeing mention of his holdings in **Morneau Shepell Inc.** (TSX:MSI). We don't talk much about this publicly traded company, but could it be a good stock pick for Foolish investors? Let's take a look.

What Morneau Shepell does

Morneau Shepell, established in 1966, offers retirement, health, and administrative solutions for employers. It is one of four major companies involved in the human resources and pension management sector here in Canada. According to its website, it serves over 20,000 clients.

Morneau Shepell by the numbers

How does the stock look right now? It reported second-quarter results on August 10 of \$0.22 earnings per share. That beat 2016's Q2 by 37.50%. The stock has a net profit margin of 5.15%. That may not seem high, but it's one of the best rates in the industry. Over the last three years, earnings growth for the company has averaged 31.99%, below the industry average of 39.29%.

The stock has a trailing P/E ratio of 36.86, so the company's earnings don't come cheap. The company's return-on-equity numbers is also a little low at 8.55%.

If you are an income investor, Morneau Shepell offers a monthly dividend payout of \$0.065 per share for an annual rate of \$0.78 per share. This gives it a nice dividend yield of 3.77%. The dividend payout has remained the same over the last five years.

Will the recent news hurt the stock?

We've learned from the recent news stories that Bill Morneau's shares are worth approximately \$20.6 million — no small chunk of change. After he received much battering in the media, Morneau has agreed to place his assets in a blind trust and unload his shares in his family's company.

I doubt the news will hurt the stock. After all, the story isn't an issue about the company or its management; it's a political story. The market capitalization of Morneau Shepell is \$1.11 billion, so it's not as if Bill Morneau holds a majority stake. It's possible the company will benefit from a higher public profile now that so much has been written about it.

Investor takeaway

The stock looks pretty solid and offers a nice dividend. You should never buy a stock just because it's in the news, but if you are in the market for a human resources type company, Morneau Shepell deserves some attention.

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2025/08/25

Date Created

2017/10/24

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