



## Why George Weston Limited Fell 1.22% on Tuesday

### Description

**George Weston Limited** ([TSX:WN](#)), Canada's largest food processor and distributor, announced its third-quarter earnings results Tuesday morning, and its stock responded by falling 1.22% in the day's trading session. The stock now sits more than 11% below its 52-week high of \$125.67 reached back in May, so let's break down the quarterly results and the fundamentals of the stock to determine if now is the time to buy.

### Breaking down the Q3 performance

Here's a breakdown of eight of the most notable financial statistics from George Weston's 16-week period ended October 7, 2017, compared with its 16-week period ended October 8, 2016:

Metric	Q3 2017	Q3 2016	Change
Loblaw segment sales	\$14,192 million	\$14,143 million	0.3%
Weston Foods segment sales	\$668 million	\$673 million	(0.7%)
Total sales	\$14,648 million	\$14,605 million	0.3%
Adjusted EBITDA	\$1,307 million	\$1,242 million	5.2%
Adjusted EBITDA margin	8.9%	8.5%	40 basis points
Adjusted net earnings	\$277 million	\$266 million	4.1%
Adjusted earnings per share (EPS)	\$2.14	\$2.06	3.9%
Free cash flow	\$292 million	\$541 million	(46.0%)

### What should you do now?

It was a solid quarter overall for George Weston, but nothing in the report stood out as impressive, so I think the slight drop in its stock was warranted. However, the company did perform well in the first 40 weeks of fiscal 2017, with its sales up 1.1% to \$36.88 billion, its adjusted EBITDA up 5% to \$2.39 billion, and its adjusted EPS up 6.1% to \$5.22 compared with the same period in 2016, so I think the downside in its stock will be limited.

With all of this being said, I think George Weston's stock represents a very attractive investment opportunity for long-term investors for two fundamental reasons.

First, it's undervalued. George Weston's stock now trades at just 15.9 times fiscal 2017's estimated EPS of \$6.96 and only 15 times fiscal 2017's estimated EPS of \$7.37, both of which are inexpensive given its current earnings-growth rate and its estimated 5% long-term earnings-growth rate.

Second, it's an up-and-coming dividend-growth star. George Weston currently pays a quarterly dividend of \$0.455 per share, representing \$1.82 per share annually, which gives it a yield of about 1.6%. It's yield may be low, but it's very important to note that its [3.4% dividend hike](#) in May has it on track for 2017 to mark the sixth consecutive year in which it has raised its annual dividend payment, and I think its steady earnings growth will allow this streak to continue for many years to come.

George Weston's stock has returned less than 1% since I last recommended it following its [second-quarter earnings](#) release in July, but I am still very confident in its long-term potential, so I am re-recommending it today. Foolish investors should take a closer look and consider beginning to scale in to long-term positions.

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