Is This Dividend Stock A Buy After Hitting a Fresh 52-Week High Last Week?

Description

Loblaw Companies Ltd (TSX:L) stock recorded another fresh 52-week high in this week's trading and the company's value per share has increased more than 16% since the beginning of November, which is all that more impressive when you consider that the TSX Index is slightly down over the same stretch.

Let's take a closer look at what has led to Loblaw's outperformance as of late.

On November 1, Loblaw's jointly announced that along with strategic partner **George Weston Limited** (TSX:WN), it had completed the spin out of its 61.6% effective interest in **Choice Properties Real Estate Investment Trust** ("CREIT").

CREIT is one of Canada's leading commercial real estate companies, with a portfolio of 757 properties spanning approximately 57 million square feet across the country, including 599 retail locations and 119 industrial assets.

As part of the deal, Loblaw shareholders got the benefit of 0.135 shares of George Weston common stock.

And following from the deal, George Weston shareholders now are the owners of a 65% interest in CREIT; meanwhile, Loblaw shareholders are the beneficial owners of approximately 17% of George Weston.

If you do the math, that means that Loblaw shareholders now own just over 11% of CREIT, a far cry from the 61% they owned prior to the deal.

The idea behind the deal was basically that George Weston owners had more ambitious plans for expanding the CREIT business, while the Loblaw owners weren't so interested in branching out more aggressively into real estate markets.

With the deal now completed, George Weston will have the autonomy it needs to pursue a more aggressive real estate agenda while Loblaw now becomes more of a pure play on Canadian retail.

The kicker for Loblaw shareholders meanwhile, is that the company plans to maintain the dividend on its common stock even following after the spin-out, which along with George Weston's plans to increase its quarterly dividend by 5% means that owners of Loblaw stock who hold onto their shares will receive the benefit of a 24% effective interest to their annual dividend payout.

Not bad at all.

It's seemingly a win-win for the shareholders of both companies provided everything works out as planned. The fact that Loblaw shares rose on last weeks news tells you that the market is firmly on side with the plan.

Bottom line

Defensive stocks have been outperforming throughout most of the second half of 2018 as investors have flocked to safety in light of the volatility that has dominated the markets for most of the fourth quarter.

In this regard, Loblaw could offer as a smart tactical move for portfolio managers looking to "de-risk" their portfolios as rates continue to march upwards which along with tariffs and trade wars threaten to derail the current ten-year bull market.

Among its peer groupLoblaw is a smart dividend play right now in light of its latest transaction, particularly when you compare it with rival **Metro, Inc.**, a stock that doesn't quite match up in terms of its dividend and is much more of a growth-oriented investment.

Fool on.

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Date
2025/08/18
Date Created
2018/12/08
Author
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