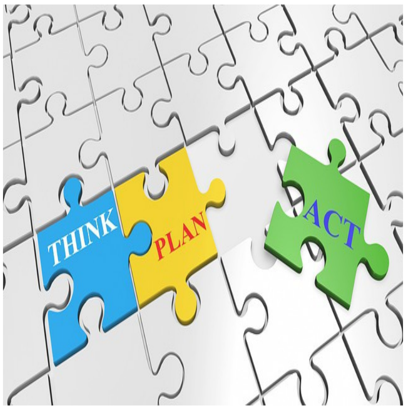

3 Reasons Why This Blue-Chip Dividend Stock Is a Buy Near its 52-Week Low

Description

George Weston (TSX:WN) shares recorded a new 52-week low last month at just below $90 per share.

Since then, WN stock has gone on to rally 5.5%, which is particularly impressive in light of the fact that the TSX Index is in the red over the same period.

Here are three solid reasons why the best may still be yet to come for WN shareholders.

Acquisition of the CREIT assets

On November 1, George Weston — along with its strategic partner **Loblaw Companies** — announced that the two companies had jointly reached an agreement whereby Loblaw would spin out its 65% interest in **Choice Properties REIT** (CREIT).

George Weston shareholders now own a little more than 65% of CREIT; meanwhile, for their part in the deal, Loblaw shareholders receive in return 0.135 shares of WN stock.

It's a definite "win" for Loblaw stock owners in that they'll now own a more focused retail-oriented investment.

Meanwhile, George Weston following from the transaction now owns a controlling stake in CREIT, which should, in theory, help Weston and CREIT jointly to pursue a more growth-oriented strategy in terms of expanding the firm's real estate portfolio, which was something that Loblaw owners weren't so fond of.

CREIT will significantly improve George Weston's cash flows

The spin-out of CREIT to WN shareholders is expected to generate an additional $230 million in cash flow coming from CREIT's distributions.

Based on current cash flows of $103 for WN as per the company's recent investor presentation, that results in an increase of more than 220% beyond shareholders were already receiving from Weston Foods.

Those improved cash flows should certainly help pave the way for more dividend hikes, but on top of that, should also go a long way to helping to support Weston's plans for growth, all the while making sure to maintain the firm's credit rating at the status quo.

Better tailored offering for investors

Before the CREIT spin-out, 93% of George Weston's value was tied up in the Loblaw franchise.

This raises the questions, why not just go out and buy Loblaw stock itself?

The good news coming out of this month's deal is that it helps to tailor the two companies' offerings in a way that allows investors out there to get exactly type of exposure to the market that they're seeking.

By that I mean that an investment in Loblaw will more clearly represent a stake in the Canadian retail market, including the acquired Shoppers Drug Mart business, while investors who are bullish on commercial real estate but also seek exposure to the defensively positioned food retail sector can get that through an investment in WN stock.

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