This Canadian Conglomerate Is a Secret Way to Get Rich

Description

You’ve likely never heard of **George Weston Limited** (TSX:WN). With a market cap of $14 billion, it’s one of the larger companies trading on the TSX. In fact, with over 200,000 employees, Weston is Canada’s largest private sector employer with a portfolio of Canada’s most notable brands.

You don’t know George Weston, but you know its brands

With over 2,300 stores, George Weston is responsible for providing much of Canada’s food, health, and wellness needs. You’re likely familiar with its brands. Here’s a small list:

- **Loblaw**
- Shoppers Drug Mart
- Valu-Mart
- No Name
- Maxi
- Provigo

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In addition to dominating Canada’s food and retail markets, Weston also controls one of Canada’s largest REITs, **Choice Properties Real Est Invstmnt Trst**. Choice Properties owns more than 36 million square feet of gross leasable area, most of which (435 properties) have incredibly stable tenants like supermarket-anchored shopping centres and standalone supermarkets.

Compounding wealth for decades by focusing on shareholders

Since 1995, buying and holding George Weston stock would have returned more than 600%. That’s not even including dividends, which, if reinvested, would bring the return closer to 700%.

While market appetite for conglomerates like George Weston has varied over the decades, management has always focused first on creating long-term shareholder value. Many companies pay lip service to this goal but in practice destroy value by growing the company at all costs. But it only takes one peek into a George Weston conference call to see how much management focuses on this metric of success above all else.

Here are a few snippets from the most recent conference call:

- “Our priority number one is to buy well, and well means a good trajectory to creating shareholder value.”
- “We want to look at opportunities which going to create value for shareholders. That’s what we care about.”
- “We need to find something that works for the group that is priced right and ultimately that will

create value for all of our shareholders."
- "We won't contemplate doing something that's not going to be creating value long term for our shareholders."

Can the run continue?

Buying businesses with solid management teams is one of the most important factors to creating long-term wealth through a buy-and-hold strategy. Over the past few years, George Weston's management team has done a masterful job at transitioning the company through changing conditions.

For example, the company already operates stores within 10 km of 90% of Canadians, meaning its primary market is already fairly saturated. Rather than continue to focus on growth, management has turned their eye to improving margins and boosting free cash flow generation.

Since 2015, earnings per diluted share have increased by an average 11% annually. Same-store sales, however, have only increased by around 1% per year. The rest of the earnings were a result of higher EBITDA margins. In 2015, consolidated EBITDA margins were 7.8%. In 2018, they grew to 9% — an incredible feat for such a large and mature company.

Management continues to look at unique ways to unlock shareholder value, such as the spin-out of its Choice Properties stake. With a proven, relentless focus on creating shareholder value over the long term, George Weston is a company I'd bet on again for the next decade.

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