



This Stock Plunged to a 52-Week Low in March: Should You Buy Low Today?

Description

The S&P/TSX Composite Index rose 48 points on March 5. The index has climbed 12% in 2019 so far. Canadian stocks boast high valuations, and many have spilled into technically overbought territory over the past several weeks.

Today, we are going to look at a stock that has plunged to three-year lows in March 2019. Is this stock the kind of discount that value investors are hunting for? Let's dive in.

Wipak ([TSX:WPK](#)) is a Winnipeg-based company that manufactures and sells a variety of packaging materials and related packaging machines. Shares have dropped 12.6% in 2019 as of close on March 5. The stock has suffered from major setbacks since reaching all-time highs in the spring of 2017. Shares appeared to be regaining momentum in February 2018, but at the time I'd [warned investors to look elsewhere](#).

Wipak released its fourth-quarter and full-year results for 2018 on February 26. In the fourth quarter, net income fell 32.7% year over year to \$26.7 million, or \$0.41 per share. Wipak received a considerable boost from the benefits of the U.S. Tax Cuts and Jobs Act in the prior year. In early January, I'd warned investors that the [sugar rush from U.S. tax reform would wear off](#) for many companies in 2019, and this would lead to disappointing year-over-year results.

For the full year, net income fell 8.7% year over year to \$108.9 million, or \$1.68 per share. Excluding the recovery from U.S. tax reform, earnings per share increased 1% year over year. Revenue was practically flat year over year at \$222.1 million in Q4 2018 compared to \$222.3 million in the prior year. The packaging machinery operating segment experienced a 5% bump in revenue from Q4 2017. For all of 2018, total revenue reached an all-time high of \$889.6 million, but this only represented a 0.3% increase from the previous year.

Although 2018 was a lukewarm year, Wipak did manage to increase its cash and cash equivalents balance by \$52.4 million from the end of 2017. U.S.-imposed tariffs on aluminum did cause a minor disruption, which resulted in inventories to advance by \$15.6 million.

Wipak struck a cautious tone in evaluating its 2019 prospects in its Q4 earnings release. Growth in

the North American food packaging industry was negative in 2018, which Winpak projects could influence revenue to some degree in the coming fiscal year. The company will commit \$70-80 million for capital expenditures in 2019.

It is hard to be overly optimistic about Winpak's prospects in 2019, but the response to the dip in Q4 2018 appears to be a slight overreaction. Glancing at its technicals, Winpak looks like a bargain right now. The stock had an RSI of 22 as of close on March 5. This indicates that shares are oversold as of this writing.

Value investors will be betting solely on capital growth going forward if they stash Winpak today. The stock only offers a modest dividend yield of 0.3%. Although the TSX index is overpriced right now, Winpak looks like a low-reward play in early March. Investors should look elsewhere for growth today.

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aocallaghan

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