



## Why Stella Jones (TSX:SJ) Stock Fell 13% in July

### Description

**Stella-Jones** ([TSX:SJ](#)), the Montreal-based manufacturer of pressure-treated wood products, delivered second-quarter results August 7 that missed analyst estimates for both revenues and earnings. Stella-Jones stock fell 6% on the news.

Analysts were expecting revenues of \$684.9 million and earnings of \$0.81. The company delivered sales of \$661.8 million and \$0.76 in earnings. The stock fell 13% in July. Perhaps investors priced in the disappointing quarter, which accounts for the double-digit decline.

### Buy on softness

While Stella-Jones missed the consensus estimates, Desjardins Securities analyst Benoit Poirier used the 6% decline to recommend investors buy the stock on softness, which they did, gaining back 4% in August 8th trading.

“We continue to like SJ for its exposure to a defensive industry (90% of demand is for railway ties and utility poles, which offer defensive characteristics), attractive valuation (currently trading at 10.2 times EV/FY2 EBITDA, well below its five-year average of 12.5 times) and robust growth prospects (both organically and on the M&A front),” Poirier wrote in a note to clients.

### CEO departing after 18 years

Although the company’s second-quarter results were less than stellar, it is the July 15th announcement that CEO Brian McManus was stepping down after 18 years as chief executive that likely had the most significant impact on its stock price.

McManus is 51 and looking for a new challenge in his life. As CEO, he’s increased sales for 18 consecutive years and earnings in nine of the last 10. He will be missed.

However, just because McManus is moving on, doesn't mean Stella-Jones's best days are behind it.

"My name's become associated with Stella-Jones, so there's probably a little bit of nervousness out there," McManus said about his stepping down. "We will get to a point where the acquisition opportunities will start to level off but we're still not there. Things will continue to be positive and move forward."

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:SJ (Stella-Jones Inc. )

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Investing

## Date

2025/07/01

## Date Created

2019/08/10

## Author

washworth

default watermark

default watermark