



## The Sum of Its Parts Makes Weston George (TSX:WN) an All-time Buy

### Description

Movie buffs who have watched *Moneyball* or read the Michael Lewis book on which the movie was based would be familiar with the Oakland Athletics baseball team. The team followed a philosophy of picking up utility players that didn't seem great on their own, but were very strong when they played in a team with similar teammates.

**Weston George** ([TSX:WN](#)) is the Oakland Athletics of the **TSX**. Its team consists of grocery giant **Loblaw** ([TSX:L](#)), real estate player **Choice Properties REIT** and bakery specialist Weston Foods.

Weston George announced its results for the second quarter ended June 13, 2020, and the company reported a loss of \$255 million, a drop of 238% from the same period in 2019. The company recorded the loss even as its revenues increased to \$12.3 billion, up 6.5% in 2019.

Weston George President and Chief Financial Officer Richard Dufresne said, "From a financial perspective, our businesses were negatively impacted by COVID-19 during the quarter." The company accounted for \$312 million as COVID-19 related costs.

Pay hikes for essential workers, security, increased expenses for health and safety measures, and pay protection safeguards all added up to COVID-19 costs. While a large part of these costs was incurred by Loblaw, Choice and Weston Foods also contributed to these costs.

However, these costs have been dropping drastically. Weston Foods, for instance, reported \$1 million of pandemic expenses in the last four weeks compared to \$16 million in Q2. The revenue decline is also narrowing for Weston George as sales for Q2 fell 14% compared to just 5% in the last four weeks.

### Adding up the numbers for Weston George

I have already written about [Loblaw](#) and [Choice](#), and why I think both stocks make for good buys. Both are resilient stocks and are non-cyclical in nature which means revenues will stay stable. Both companies have performed well in the second quarter.

Loblaw's Q2 net income fell almost 41% to \$126 million thanks to \$210 million in pandemic related costs. However, its e-commerce sales increased by 280% to \$895 million. The push to e-commerce resulted in investments to establish channels and improve the technology.

It is expected that this will pay off in the long run. As the spend on pandemic costs comes down, Loblaw's numbers will get better. In the four weeks after Q2, pandemic costs were only \$19 million.

Choice Properties collected 89% of the rent owed to it in Q2 and as of July 20, 2020, it had received 93% of the rent due.

Weston Foods was the most impacted segment for the company as a lot of stores across the country closed their bakery displays and in-store bakeries as the government mandated non-essential services to shut down. Weston Foods Q2 sales were \$412 million, down 14% from 2019.

The company is taking advantage of the squeeze put on by the pandemic to pursue ailing Swiss baking company Aryzta. The Swiss company is well known for being a supplier of buns to McDonald's and for making Otis Spunkmeyer cookies.

Weston George is currently trading at \$101.17 with a target of \$123, an upside of 20% plus a forward dividend yield of just over 2%, making the stock a good contrarian bet.

## CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:WN (George Weston Limited)

## PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

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## Date

2025/08/15

## Date Created

2020/08/05

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