



Breaking News: This Canadian Stock Could Cease to Exist

Description

Last week, **George Weston** ([TSX:WN](#)) announced the commencement of a process to sell its Weston Foods division. This would shift the company's focus to its core retail and real estate holdings. Since this bakery business has been an integral part of the company for 139 years now, this proposed sale is making investors question the existence of the holding company as a whole.

Here's why the company could soon cease to exist on the TSX.

The company's corporate structure is under scrutiny

Weston Foods is a leading manufacturer of packaged fresh bread and confectionaries to its retail clientele. However, despite its size, Weston Foods accounts for less than 10% of George Weston's revenues. It appears George Weston's board believes a potential sale is the best move for this division. It appears a tie-up could improve Weston Foods's market position and scale — good things in this business.

This has prompted some analysts to question whether investors would want to hold WN shares absent Weston Foods. Essentially, the company would become a [holding company](#) of **Loblaw Companies** ([TSX:L](#)) and **Choice Property REIT** ([TSX:CHP.UN](#)). Investors could simply hold these shares on their own.

In other words, there's really no value for this company to exist as a publicly traded entity.

Loblaw and Choice Properties interesting on their own

As mentioned, there are really three components to George Weston shares right now. The company's Weston Foods (bakery) division is the glue that's keeping this conglomerate together — at least, according to analysts.

The company's stakes in Loblaw and Choice Properties stand at 53% and 62%, respectively. These

are companies with excellent balance sheets, generating consistent revenues each quarter.

In the board's strategic review meeting, the directors concluded that these two pillars are most likely to remain the drivers of long-term capital appreciation.

Well, that's good news for George Weston Shareholders.

However, it raises the question if George Weston will ultimately be spun off. Right now, it's an ownership vehicle of two pretty solid companies. That said, investors may benefit from the sale of its Weston Foods division, if the company is able to generate a decent return for investors.

Bottom line

There's an exciting thesis for owning this stock today. Analysts state that its stock price reflects investor sentiments rather than the total value of its holdings. Accordingly, it's trading at a 15% pro-forma discount.

After news of the announced potential sale of its bakery business, shares of George Weston shot higher. It appears much of this pro-forma discount has thus evaporated. That said, there's still some extra value here that could be unlocked via a deal.

From a sum-of-the-parts analysis, this stock is an interesting one today. It still looks undervalued from a break-up perspective. That said, I'm going to remain on the sidelines with this name for the time being.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. investing
2. market
3. Stocks
4. value investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:L (Loblaw Companies Limited)
3. TSX:WN (George Weston Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. investing
2. market
3. Stocks
4. value investing

Date

2025/08/18

Date Created

2021/03/30

Author

chrismacdonald

default watermark

default watermark