



Winpak Stock Rises After Beating Earnings Estimates

Description

Winpak ([TSX:WPK](#)) shares rose slightly on Wednesday morning after the packaging company reported earnings that beat out estimates.

- Revenue increased by 23% year over year to US\$276 million.
- Winpak stock reported earnings per share at US\$0.52, beating out estimates.
- Net income also rose to about US\$34 million, up 38.3% quarter over quarter.

What happened in Q1 for Winpak stock?

Winpak stock managed to achieve “exceptional” results for the first quarter after [advancing](#) its gross profit by US\$0.18 earnings per share. Revenue came in at US\$276 million for the first quarter alone, up 22.8% year over year, despite volumes remaining “virtually unchanged.”

This was seen as a win by the company, considering that COVID-19, supply-chain disruptions and labour shortages all hampered the Winpak’s growth. But the company’s new frozen food product launch seemed to help bolster production as well. Selling prices increased as well, raising the company’s earnings per share by US\$0.24, while reducing manufacturing costs by and EPS of US\$0.06.

What Winpak management had to say

Management remained confident in the future performance of Winpak stock, especially based on the volatile situation it finds itself in. Supply-chain issues, inflation, and COVID-19 should have hampered increases. However, they didn’t, and now management is looking forward to more growth with more cash on hand. Though it remains cautious given the ongoing pandemic and war in Ukraine.

“The company continues to effectively manage an extremely volatile supply chain environment, exceptional inflationary pressures, a challenging and highly competitive labour

market and the COVID-19 pandemic. The heightened level of employee absenteeism recorded in January of this year relating to COVID-19 infections tapered off significantly in February and March.”
Winpak press release

What's next for Winpak stock?

Winpak stock increased its cash balance by US\$9.7 million in the quarter. Cash was used to then buy up mainly aluminum foil to prevent supply-chain issues for the next quarter. Winpak also purchased land and building next to a packaging plant in Winnipeg, Manitoba. While sales may have slowed, the company looks forward to a return to growth in the second quarter.

Some of this growth would include a new Wiicare platform, including new medical packaging business that Winpak was awarded. Further, its BOPA line in Winnipeg started in the first quarter and should be fully operational by the third quarter, according to management. Once new business is on board, Winpak believes it can start to acquire more opportunities once more.

Shares of Winpak stock were up about 1% on Wednesday morning, [trading](#) at 19.96 times earnings.

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alegatewolfe

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