



Jean Coutu Group PJC Inc. Results Take a Hit in the 3rd Quarter

Description

Jean Coutu Group PJC Inc. (TSX:PJC.A) was in the news at the end of last year when it agreed to a takeover from large Canadian grocer **Metro, Inc.** ([TSX:MRU](#)). Stockholders voted almost 100% in favour of the deal, which should close later this year. Fool contributor Chris MacDonald discussed the merger in this October [article](#). The company is back in the news this week with third-quarter results, which don't look as hot.

Quarterly results

Jean Coutu released its results on January 11 for the third quarter, which ended on December 2, 2017. Earnings were \$42.1 million, or \$0.23 per share. This missed analysts estimates, which were \$0.28 per share. These results are also down compared to last year's Q3 results, which came in at \$51.2 million, or \$0.28 per share. Likewise, earnings were down to \$758.9 million from \$763.7 million. The stock had better earnings results over the summer, which you can remind yourself of in this Fool [article](#).

What reason did Jean Coutu give for the downswing? The company said it was weighed down by costs associated with the Metro sale. It also talked about issues regarding changes to its generic drug offerings. Looking deeper into the explanation, generic drugs made up 72% of prescriptions filled at Jean Coutu over the quarter, up from 71.4% the previous year. Because generic drugs are cheaper, they lower the bottom line when their sales increase over their name-brand counterparts.

Jean Coutu by the numbers

How does the stock look otherwise? Its price has been steadily rising since the summer, when it traded under \$20 per share. The price now sits in the \$24 range. The P/E ratio is 23.36. The stock's earnings aren't cheap, but we can say the same about many of the stocks trading on the TSX in this extended bull market.

The one-year total return for the stock (combining price increases and dividends) sits at a nice 19.74%. If you've held this stock all year, you've done well for yourself. The stock pays a dividend yielding 2.08% (\$0.13 per share quarterly).

Investor takeaway

Jean Coutu has been a solid performer overall, and it's teaming up with a grocer that has also been performing well. I'm not worried about one quarter missing the mark, but it will be interesting to see if generic drug sales continue to lower results for the company.

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