



Why Maple Leaf Foods Popped

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of meat and baked goods producer **Maple Leaf Foods** ([TSX: MFI](#)) surged 10% today after announcing plans to sell its bakery business by early 2014.

So what: Maple Leaf's bakery business includes a 90% stake in **Canada Bread** (TSX: CBY) — owner of the popular brand Dempster's. This stake is worth about \$1.5 billion at current trading prices, so it's no surprise that investors are excited about the move. Additionally, the announcement sends a very clear signal to Bay Street that Maple Leaf isn't up for sale and that management intends to focus on packaging and selling meat.

Now what: While Maple Leaf didn't disclose details about potential buyers, sources close to the matter said that a few companies in China and the U.S. have already shown interest. "We are confident that our bakery business can deliver significantly higher levels of profitable growth; the only question is how best to realize the future value of this business," [said](#) Maple Leaf CEO Michael McCain. "This process gives us the opportunity to determine the best path forward for Maple Leaf, our shareholders and our bakery business." Of course, Maple Leaf shares are now up nearly 40% from its 52-week lows and trading at a P/E of 25. Fools might want to watch things unfold from the sidelines until some of the excitement fades.

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Fool contributor Brian Pacampara does not own shares of any of the companies mentioned at this time. The Motley Fool has no positions in the stocks mentioned above at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:MFI (Maple Leaf Foods Inc.)

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Date

2025/08/25

Date Created

2013/10/21

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