Take a Break From Tech: Feast on Consistent Food Company Dividends

Description

Food processing and retail food aren't going anywhere as people have to eat and continually look for new food options. **Metro, Inc.** (TSX: MRU) and **Saputo Inc.** (TSX: SAP) are addressing these needs and providing returns on investment for dividend investors. Consider these two companies as additions to your income portfolio for the following reasons:

1. Metro, Inc.

Metro operates under a number of banners, which gives it broad market penetration in Ontario and Quebec. It has a network of more than 800 grocery stores under the Metro, Metro Plus, Super C and Food Basics names. Metro also operates more than 250 drugstores. These are under the Brunet, The Pharmacy and Drug Basics banners.

In the ultra-competitive supermarket arena, Metro's sales increased for Q3 2014. It had sales of $3.6 billion, which is an increase of 1.4% over the year prior. The company's same-store sales were up a modest 1.0%. Same-store sales is a significant metric. Sales by stores open for more than one year (same-store sales) lets the company know
how much demand for its products is growing in stores that currently exist.

If a company can increase its same-store sales, it is reaping financial benefits without investing in new store infrastructure. Conversely, the cash flow from increased sales from existing operations can help when it comes to financing expansion. Metro reorganized its Ontario store network, which led to increased sales in the tough Ontario retail food market.

Metro pays dividends representing 20% to 30% of its net earnings from the previous year (before extraordinary items). The company's current dividend yield is 1.70%. Metro recently declared a quarterly dividend of $0.30 per share, which represents a 20% increase. Its dividend rate is $1.20. On an annualized basis, Metro's dividend represents roughly 22% of 2013 adjusted net earnings from continuing operations.

2. Saputo Inc.

Saputo is one of the top 10 dairy processors globally. In Canada, it is the largest dairy processor and snack-cake manufacturer. The company's strength is its extensive brand portfolio with broad reach in Canada. It also has its brand portfolio in the United States, Argentina, and Australia.

In Canada, Saputo has well-known brands such as its namesake Saputo Italian and Mediterranean style cheese, as well as Armstrong, Bari, and Stella cheeses, among others. Its dairy product brands in Canada include Dairyland, Neilson, Saputo, Nutrilait, and others. Its popular bakery brands in Canada include Vachon, Hostess, Jos. Louis, and others.

Saputo is growing revenues via acquisitions. It has acquired Warrnambool Cheese & Butter Factory of Australia and the fluid milk activities of Scotsburn Co-Operative Services Limited (Atlantic Canada). Warrnambool is a supplier of low-cost raw milk. It operates two manufacturing plants and produces a variety of dairy products for Australian and export markets.The Scotsburn Co-Operative transaction will allow Saputo's Dairy Division (Canada) to grow its footprint in Atlantic Canada.

Last year, Saputo acquired Morningstar Foods. This acquisition, now called Saputo Dairy Foods (USA), complements Saputo's cheese operations in the U.S.

For Q1 2015 (ended June 30, 2014), Saputo had net earnings of $145.3 million. This represents an increase of $8.6 million or 6.3% over the same prior-year period. The company had revenues for Q1 of $2.621 billion. This represents an increase of $447.3 million, or 20.6%, over Q1 2013.

Saputo's current dividend yield is 1.60% and its dividend rate is $1.04. The company recentlyincreased its quarterly dividend from $0.23 per share to $0.26 per share. This represents a 13% increase.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:SAP (Saputo Inc.)

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