



## Is Maple Leaf Foods Inc. Heading to \$40 Per Share?

### Description

**Maple Leaf Foods Inc.** ([TSX:MFI](#)), one of Canada's largest manufacturers and distributors of consumer packaged meats, announced first-quarter earnings results before the market opened on April 30, and its stock has responded by rising more than 2% in the trading sessions since. Let's take a closer look at the results to determine if the stock could head higher from here and if we should consider establishing positions immediately.

### Higher pricing leads to very strong results

Here's a summary of Maple Leaf's first-quarter earnings results compared with what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$0.05	\$0.05	(\$0.24)
Revenue	\$780.25 million	\$739.80 million	\$711.35 million

Source: *Financial Times*

In the first quarter of fiscal 2015, Maple Leaf's adjusted earnings per share increased \$0.29 to \$0.05 and its revenue from continuing operations increased 9.7% to \$780.25 million compared with the same quarter a year ago. The company noted that these very strong results could be attributed to higher pricing in its prepared meats business and improved export margins in its fresh pork business, which more than offset the negative impact of lower sales volumes.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Revenue increased 10.1% to \$776.41 million in its Meat Products segment
2. Revenue decreased 35.5% to \$3.84 million in its Agribusiness segment
3. Gross profit increased 86.1% to \$89.22 million
4. Gross margin expanded 470 basis points to 11.4%

5. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased \$44.6 million to \$36.9 million
6. Adjusted EBITDA margin expanded 580 basis points to 4.7%
7. Adjusted operating earnings increased \$40.34 million to \$10.41 million
8. Ended the quarter with \$427.1 million in cash and cash equivalents, a decrease of 13.9% from the beginning of the quarter

### **Should you buy shares of Maple Leaf today?**

The first quarter was highly successful for Maple Leaf Foods, so I think the slight post-earnings pop in its stock is warranted. I also think it could head much higher from here because it still trades at very attractive forward valuations and pays a healthy dividend.

First, Maple Leaf's stock trades at just 30.3 times fiscal 2015's estimated earnings per share of \$0.77 and only 19.7 times fiscal 2016's estimated earnings per share of \$1.18, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 34.

I think Maple Leaf's stock could consistently command a fair multiple of at least 34, which would place its shares upwards of \$26 by the conclusion of fiscal 2015 and upwards of \$40 by the conclusion of fiscal 2016, representing upside of more than 11% and 71%, respectively, from today's levels.

Second, Maple Leaf pays a quarterly dividend of \$0.08 per share, or \$0.32 per share annually, giving its stock a 1.4% yield at current levels. It is also important to note that the company increased its dividend by 100% in February as a result of its positive outlook, and I think this could become an ongoing theme over the next several years.

With all of the information provided above in mind, I think Maple Leaf Foods represents one of the best long-term investment opportunities in the food industry today. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### **TICKERS GLOBAL**

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

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