



3 Top Food Stocks for 2016 and Beyond

Description

Food stocks are considered to be some of the safest long-term investment options in the market today, because regardless of the state of the economy, people have to eat. With this in mind, let's take a look at three food stocks that are trading at inexpensive forward valuations, so you can determine which would fit best in your portfolio.

1. George Weston Limited

George Weston Limited ([TSX:WN](#)) is the largest processor and distributor of food in Canada, and it is the company behind **Loblaw Companies Limited** and Weston Foods.

At today's levels, its stock trades at just 18.8 times fiscal 2015's estimated earnings per share of \$5.69 and only 16 times fiscal 2016's estimated earnings per share of \$6.68, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 41.6 and its sub-industry average multiple of 27.1.

I think George Weston's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of \$133 by the conclusion of fiscal 2016, representing upside of over 24% from current levels.

In addition, the company pays a quarterly dividend of \$0.425 per share, or \$1.70 per share annually, giving its stock a 1.6% yield. Investors should also note that it has raised its dividend for three consecutive years.

2. Saputo Inc.

Saputo Inc. ([TSX:SAP](#)) is the largest dairy processor in Canada and one of the 10 largest in the world. Its product offerings include cheese, milk, yogurt, butter, and dairy ingredients.

At today's levels, its stock trades at just 21.8 times fiscal 2016's estimated earnings per share of \$1.49 and only 19 times fiscal 2017's estimated earnings per share of \$1.71, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 37.4 and its sub-industry average

multiple of 29.

I think Saputo's stock could consistently trade at a fair multiple of at least 25, which would place its shares upwards of \$42 by the conclusion of fiscal 2017, representing upside of over 29% from current levels.

In addition, the company pays a quarterly dividend of \$0.135 per share, or \$0.54 per share annually, giving its stock a 1.7% yield. It is also important to note that it has raised its dividend for 16 consecutive years.

3. AGT Food and Ingredients Inc.

AGT Food and Ingredients Inc. ([TSX:AGT](#)) is one of the largest suppliers of value-added pulses, staple foods, and food ingredients in the world. Its product offerings include lentils, peas, beans, rice, pasta, and wheat.

At today's levels, its stock trades at just 17.6 times fiscal 2015's estimated earnings per share of \$1.81 and only 13.5 times fiscal 2016's estimated earnings per share of \$2.36, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 77.4 and its sub-industry average multiple of 29.

I think AGT's stock could consistently trade at a fair multiple of at least 18, which would place its shares upwards of \$42 by the conclusion of fiscal 2016, representing upside of over 31% from current levels.

In addition, the company pays a quarterly dividend of \$0.15 per share, or \$0.60 per share annually, giving its stock a 1.9% yield. Investors should also note that it has maintained this quarterly rate since 2011.

Which food stock should you buy today?

George Weston, Saputo, and AGT Food and Ingredients are three of the top investment options in the food industry for 2016 and beyond. All Foolish investors should take a closer look and consider establishing positions in one of them before the end of the year.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:SAP (Saputo Inc.)
2. TSX:WN (George Weston Limited)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/20

Date Created

2015/12/18

Author

jsolitro

default watermark

default watermark