



This Hidden Gem in 2017 Includes Yield and Appreciation: High Liner Foods Inc.

Description

In my hunt for names to add to my get-rich-slowly list, **High Liner Foods Inc.** ([TSX:HLF](#)) went under the microscope for a closer inspection. As many are aware, the company is a manufacturer of prepared and packaged frozen seafood products in Canada and the United States.

This company is one I view as defensive with consistent revenues, expenses, profits, and, of course, something that's very important to investors: dividends. Although dividends have increased consistently, it has been by a much wider margin than earnings.

In 2012, the dividend per share totaled \$0.21, which increased to \$0.35 per share in 2013. In 2014, the dividend increased again to \$0.41, and then again to \$0.47 in 2015. In 2016, the dividend was increased on two separate occasions during the year, leading to a total payout of \$0.52 for the year. As long-term investors like to see, there has been a pay raise in every one of the past five years. The dividend has increased at an astonishing compound annual growth rate of 50.88%!

Imagine getting a raise of over 50% every year for five years. To boot, the total price return of the security over the past five years has been approximately 143%. For new investors, the dividend yield is approximately 2.75% with a share price trading at a very reasonable price-to-earnings ratio of 14 times. We could be on to something here.

When evaluating the sustainability of the dividend, we'll look back to 2012 and calculate the dividend-payout ratio. In 2012, the company paid out almost 28% of net earnings in the form of dividends, while in 2013, it was 31%. For 2014 and 2015, the number were 34% and 40%, respectively.

At a 40% payout ratio, the long-term sustainability is not a problem, but it stands to reason the very high dividend increases may be behind us. Future dividend increases may come only in the form of increased profits, which did not happen between 2014 and 2015. Earnings per share in both years was \$1.19 per share.

Through the first three quarter of 2016, earnings per share totaled \$0.98. Assuming the final quarter of 2015 can be replicated, the hypothetical total for 2016 would be \$1.27 — an increase in earnings per share of 6.7% from the previous year.

Although earnings have not been released for the final quarter of 2016, it is highly likely total revenues will go sideways or will slightly decline for fiscal 2016. Barring a quarter-over-quarter increase of 14%, total revenues will decline for 2016 in comparison to 2015. The security likely is pricing in a decline in revenues, profit, or both.

Although I am not a proponent of investing in companies with declining revenues, High Liner Foods Inc. may be leveling off after experiencing substantial growth over the past five years. At the current price of just under \$20 per share and a price-to-earnings ratio of 14 times, it may be time to seriously consider this security as a core holding in one's portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HLF (High Liner Foods Incorporated)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/09/28

Date Created

2017/01/04

Author

ryangoldsman

default watermark