High Liner Foods Inc. in Bearish Territory: Bring on the High Yield!

Description

In the past week, investors saw something very important in **High Liner Foods Inc.** (TSX:HLF). For the third time in as many months, shares have tested the low price, also known as the support level, of approximately $18. As a long-term investor, the short-term noise may not make any difference, but as an investor looking to take a few shares off the shelf and add them to my basket, this is something I'm monitoring closely.

For those of you not in the know, High Liner is a company that makes and sells frozen fish products to grocery stores and restaurants. The brands include High Liner, Fisherboy, Mirabel, and Cuisine and C. High Liner is well known across Canada and the United States, so this is an investment which holds a long-term edge in the form of a recognized brand and established distribution.

The story is exactly what investors want to hear before investing in a security: revenues and profits have grown considerably and reached a critical level. More importantly, the dividend has increased significantly and consistently over the past several years. In 2016 alone, dividends paid to shareholders increased on two separate occasions. With the first dividend of the year coming in at $0.12 per share, then $0.13 per share in the second and third quarters, the final dividend of the year was $0.14 per share — a clear increase upwards.

For 2017, the earnings and dividend momentum seems to be going in the right direction. High Liner offers a dividend of $0.56 per share, and the now-lower share price of approximately $18.50 offers new investors a yield of approximately 3%. As lower share price leads to a higher dividend yield. At a previous share price of $20, the yield would have been only 2.8% — a little less to get excited about.

As a new investor in High Liner, the entry point which determines the yield on my money is one of the most critical elements. Since the past three months have been fairly consistent after a large pullback during November, shares of High Liner are finally starting to establish a base in order to move forward.

The downside is that the 10-day simple moving average (SMA) is within the current share price range. In the past week, the 50-day SMA crossed over the 200-day SMA, signaling a bearish trend for the stock.

Looking at the past several months, there is some evidence of a bottom being formed at a price of $18.50 per share, but until the 50-day SMA catches up to the going stock price, it will be difficult to jump into this investment headfirst Wanting to be a little cautious, averaging in to the position over the next few weeks or months may be the right way to go with this dividend grower.

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Date
2025/08/26
Date Created
2017/01/17
Author
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