



Why Paying Attention After the Headlines Is Important

Description

Several weeks ago, **High Liner Foods Inc.** ([TSX:HLF](#)) reported quarterly earnings which were somewhat disappointing. While investors holding the shares experienced a decline in their fortunes, the decline in the share price is, of course, to the benefit of potential new investors who may be looking to enter an initial position.

As many investors are aware, the reaction to earnings is sometimes overblown, while other times the reaction is muted. In these circumstances, a stock price that has declined may continue down the hill for a number of days or weeks afterwards. The good news regarding High Liner Foods is, the earnings reaction seemed quite appropriate.

Shares declined from above \$20 to a price a little over \$18 in the day following earnings. In the days afterwards, shares went as low as approximately \$17 per share and have since begun to find support.

Although most investors choose to pay attention to the headlines, it is much too easy to get caught up in the euphoria sweeping a stock in either direction. As a diligent investor, it's important to do the fundamental analysis, which involves looking at company financials and the long-term potential for the company given the current business model.

The technical indicators or one-time quarterly earnings come in only at a later time. After taking a few days to sell off to current levels, shares of High Liner Foods have since traded in a tight range for a number of days, allowing the 10-day simple moving average (SMA) to catch up to the current share price. The 50-day SMA, which will obviously take longer to catch up, is also beginning to come down to the current stock price.

With the intrinsic value of any security being a range and not an exact number, it is essential to give securities the time needed to fluctuate in both directions. Currently, shares are trading at a reasonable 12 times trailing earnings (P/E ratio) with the potential to increase earnings and dividends in the quarters that follow.

Currently, the dividend-payout ratio is close to 30% for the past year. With the potential to return more capital to shareholders, the company has maintained a consistent number of shares outstanding while

steadily increasing the amount of retained earnings and shareholders' equity.

With a track record of increasing dividends over time, High Liner Foods may be a company to watch closely in the coming months. While the company may have built up excess capital, the potential for higher returns may come in the form of a share buyback instead of a dividend increase, which creates an obligation for the dividend to be maintained by the company in the future.

Allowing company management the potential to allocate excess capital into the business as necessary is, in this case, a big positive as the track record has been excellent. Shares of High Liner Foods have been added to the top of my watch list.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HLF (High Liner Foods Incorporated)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2017/03/22

Author

ryangoldsman

default watermark

default watermark