



1 Undervalued Earnings-Growth King to Buy on Weakness

Description

Shares of **MTY Food Group Inc.** ([TSX:MTY](#)) have fallen over 8% YTD after an impressive surge last year. You probably have never heard of MTY Food Group as the company has a market cap just south of \$1 billion, but you're probably familiar with some of its restaurant chains, like Taco Time, Mr. Sub, Yogen Früz, Manchu Wok, Koya Japan, or Jugo Juice.

The company specializes in food court restaurants that are primarily located in shopping malls, movie theatres, train stations, or any location where there's likely to be a dense group of people. Food courts are a convenient way to grab a quick meal during your ventures without breaking the bank.

Is the “death of the shopping mall” trend a growing concern for MTY?

Although the company has grown its earnings at an incredibly fast rate over the past few years, many may be fearful of food court businesses because of “the death of the shopping mall.”

It's definitely something to be concerned about because e-commerce giants could potentially decrease mall traffic by an even larger amount in the coming years. Less mall traffic will result in a reduction of sales for MTY's restaurants, but I believe the management team has the tools it needs to diversify away from the shopping mall before things start to get really ugly.

I think the fears are overblown and that some people will always prefer to do their shopping in a brick-and-mortar store over an online site. Because of this, I do not believe shopping malls will be turning into ghost towns anytime soon.

Food courts aren't just in shopping malls

Even if shopping malls do see sharp declines in traffic, MTY can expand to other densely populated areas, like libraries, universities, or airports. While the company's fate is tied to shopping malls, I believe it has the ability to expand to non-mall locations to diversify away from the shopping mall if they suddenly became ghost towns.

MTY has been a stealthy earnings-growth king over the last few years, and I believe the company is

overlooked by many investors because of its minuscule size. The company has a very scalable business model with promising growth prospects that will send the stock a lot higher over the long term.

Solid U.S. exposure

Approximately 48% of MTY's locations are in the U.S., so the company is a great way to play an increase in consumer spending once the U.S. economy strengthens under Trump's pro-growth agenda.

Cheap valuation and great growth prospects

The stock currently trades at a 17.67 price-to-earnings multiple, a 3.2 price-to-book multiple, and a 4.3 price-to-sales multiple, all of which are lower than the company's five-year historical average multiples of 22.9, 4.3, and 5.1 respectively.

MTY is absurdly cheap when you consider how fast the company is growing its earnings as well as its dividend. If you're looking for an undervalued small-cap growth play, then look no further than MTY.

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