

## Take a Bite out of Maple Leaf Foods Inc.

### Description

**Maple Leaf Foods Inc.** ([TSX:MFI](#)) has been a fantastic growth story for investors who have bought this large Canadian food and beverage growth play on the strength of the company's management team in completing an impressive earnings-growth and cost-cutting campaign in 2010. The company has engaged in significant investment over the better part of the past decade to modernize its existing plants and improve long-term profitability by simultaneously adjusting its portfolio of companies by divesting specific businesses and making strategic investments to move the company forward.

I first recommended investors look at Maple Leaf in November of last year after looking at the company's strong balance sheet and at how far the business had come from previous years in which the company was straddled by debt and searching for free cash flow growth amid competitive pressures and underperformance in certain key business segments that anchored earnings lower for many years.

At the time, I noted that the company's long-term turnaround plan was working, and the balance sheet was beginning to reflect these long-term moves. Today, these changes show through more than ever, and shareholders continue to reap the benefits of a solid management team executing well on a long-term plan which culminated in more than \$1 billion of investment in the company's plants.

I expect continued outperformance by Maple Leaf compared to its competitors over the coming quarters and years, as the company expands into new, more profitable segments and improves margins and profitability in its meat products business unit (the biggest driver of top- and bottom-line growth).

The ability of Maple Leaf to continue to outperform on revenue and earnings is enhanced by the company's diversification efforts, which have resulted in an increased percentage of overall sales coming from outside Canada. While domestic demand continues to increase, and Maple Leaf's market share remains very healthy, searching for additional organic growth outside Canada serves as an offensive and defensive play, given the fact that putting all of one's eggs in one basket (North America; specifically, Canada) may not be the best recipe for long-term growth. Maple Leaf has expanded exports to key markets such as Japan via an improved value-added product portfolio — an effort which has driven EBITDA higher.

The company expects EBITDA growth of 14-16% over the next five years, spurred by continued growth within its core businesses as well as additional organic growth from bolt-on acquisitions and higher-margin, value-added products making up a larger percentage of the overall business moving forward.

Thinking long-term, Maple Leaf has all the makings of a portfolio staple for an investor wishing to buy and hold forever.

Stay Foolish, my friends.

### CATEGORY

1. Investing

## **TICKERS GLOBAL**

1. TSX:MFI (Maple Leaf Foods Inc.)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## **Category**

1. Investing

### **Date**

2025/07/04

### **Date Created**

2017/07/03

### **Author**

chrismacdonald

default watermark

default watermark