



## Why Lassonde Industries Inc. Is My Top Idea for July

### Description

On a monthly basis, Fool contributors are asked for the stock they believe will perform well over the next month. For the month of July, I picked shares of **Lassonde Industries Inc.** ([TSX:LAS.A](#)), which have performed exceptionally well over the past year and I think will continue to surpass expectations over the next month and beyond.

The company is in the business of making and distributing vegetable and fruit juices. It carries a market capitalization close to \$800 million with a very low beta of 0.13. At a price of approximately \$245 per share, the dividend yield is nothing too exciting at only 1%. Still, investors have a lot to be excited about given the growth in retained earnings inside the company.

Over the past five years, shares have increased by over 250% with the past year returning 35% alone. The long-term growth story for investors has been a consistent rise in revenues and earnings. During fiscal 2013, the company took in revenues of \$1,040 million, which have since grown to \$1,509 million for fiscal 2016. Over the same period, earnings have grown from \$6.44 to \$9.79 per share.

The interesting trend for investors to evaluate is the compounded annual growth rate (CAGR). While revenues increased at a rate of 13.2%, earnings per share grew at a rate of 14.98%. Clearly, company management has been successful in better using company assets and controlling costs. The company has not issued or bought back any substantial number of shares during the past four years.

Since the dividend yield of no more than 1% represents a payout ratio (calculated as dividends paid divided by net profits) of 23% (2013), 24.5% (2014), 20% (2015), 20% (2016), there is the high probability that either a dividend increase could arrive in the near future, or a share buyback could be initiated. Either way, shareholders would see an increase in the profits being shared with them.

The advantage to increasing the dividend would be the reoccurring payments made to shareholders. The company, however, will have a deeper obligation to come up with more money to continually fund the dividend.

If the company opted for a share buyback, it would reduce the amount of shares outstanding and spread the total amount paid in dividends over a smaller share base, thereby increasing the dividend

on a per-share basis with no added financial obligation. This may be an excellent outcome for shareholders and the company alike.

With things going in the right direction for the company, the good news for shareholders is that it is still possible to ride the wave. The total equity available on the balance sheet has steadily increased from \$342 million at the end of 2013 to \$541 million at the end of fiscal 2016. If needed, the capital can be strategically deployed, and investors will still enjoy a smooth ride.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:LAS.A (Lassonde Industries Inc.)

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