Frozen Fish Swims Upstream: Here's How to Profit!

Description

The past month has not been kind to shareholders of **High Liner Foods Inc.** (TSX:HLF). Shares of the fish distributor have declined by almost 5% as investors await second-quarter earnings, which are still a few weeks away.

The company which has a relatively low beta of 0.71, has recently pulled back to a price close to $17 per share. This past Friday, shares fell under the $17 mark and hit a 52-week low of $16.95.

At that price tag, the company offers investors a dividend yield of 3.3% while asking investors to pay a trailing price-to-earnings (P/E) ratio of approximately 13.5 times. Investors are not being asked to pay any more than a reasonable multiple for these shares.

Currently paying a quarterly dividend of $0.14 per share, the company has consistently maintained a dividend-payout ratio between 35% and 40% as investors have been able to enjoy returns from both dividends and long-term capital gains.

The total price returns have been an increase of almost 80% over the past five years, while the past decade has offered investors total price appreciation of more than 240%. The compounded annual growth rate (CAGR) for the past five years works out to be 15.8% and 14.6% for the past decade.

One of the reasons for the recent pullback may just be the increase in the Canadian dollar (CAD) in comparison to the U.S. dollar (USD). As a significant portion of the company's revenues are denominated in USD, the company files financial statements in USD, although shares trade on the Toronto Stock Exchange. For those wondering, the share price and dividends are in CAD.

Given the strengthening CAD, the share price of High Liner has had to decline in value to reflect the bookkeeping entry that translates the same amount of USD revenues into fewer CAD. There is no change in the underlying fundamentals of the business.

When considering its history, shares have offered a fairly consistent dividend yield over the past few years.

During years 2015 and 2016, the share price traded at 52-week lows which translated to a dividend yield of more than 4%, while the 52-week highs translated to dividend yields of less than 2%.

The company, which operates in a fairly consistent business, offers investors lower returns than more exciting “growth” companies. The result is that many investors have been able to line themselves up with a company that meets their investment needs. Consistency has been extremely important.

This stock will offer investors a very high probability of positive returns in terms of dividends and of price appreciation over time. As many already know, investing in a business as exciting as frozen seafood is most often a long-term approach.

For those seeking excitement, there are many other investments available that will offer as much excitement as a weekend trip to Las Vegas. This is not one of them.

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