



Don't Pass on Maple Leaf Foods Inc.

Description

Across all the different areas of the economy, one area that is overlooked by investors more often than not is food companies. Many of those food companies are the names behind well-known brands that we look for when grocery shopping, yet, as investors, we seemingly bypass these stocks, potentially missing out on some great buys.

One such brand is **Maple Leaf Foods Inc.** ([TSX:MFI](#)).

Maple Leaf Foods is one of the largest meat-packaging companies in the country. It has a host of brands including Schneiders, Larsen, and Maple Leaf.

Earlier this year, Maple Leaf Foods purchased Lightlife Foods Inc., a manufacturer of plant-based protein foods in a deal reportedly worth \$140 million. That deal was significant for two reasons.

First, this was the company's first major deal since 2004. It has ushered in a new wave acquisitions that are likely to follow. In 2010, Maple Leaf Foods underwent a very aggressive cost-cutting and earnings-growth campaign. That campaign resulted in the company completing a massive facility upgrade, which has, in turn, made the company more productive and efficient.

With the upgrades and cost-cutting efforts in place, Maple Leaf's focus turns to growth. The company has been shopping for other acquisitions, with the U.S. market an area the company is keen to expand into.

The second reason has more to do with consumer tastes. Unlike most other business segments, the food industry has to deal with consumer tastes that are continuously evolving. The fact that Maple Leaf, which is one of the largest pork processors in the country, is actively expanding into plant-based proteins is a signal that new product lines and investments are set to follow.

The investments that Maple Leaf has made over the past few years have resulted in the company reporting better-than-expected results during earnings time.

In terms of results, Maple Leaf Foods realized a 19% rise in profit during the most recent quarter on

sales of \$925.9 million, beating the \$854.6 million reported in the same quarter last year.

Maple Leaf Foods reported operating earnings of \$75 million in the second quarter, an impressive increase of 25%. Net earnings for the quarter rose to \$37.3 million, or \$0.28 per share, up from the \$31.4 million, or \$0.23 per share, reported in the same quarter last year.

Why you should buy Maple Leaf Foods

Perhaps one of the most intriguing reasons to consider Maple Leaf Foods is for the stellar growth and dividend that the company offers. From a growth standpoint, the company has soared, up 22% year-to-date and up an incredible 211% over the past five years.

In terms of a dividend, Maple Leaf Foods offers a quarterly dividend of \$0.11, which amounts to a yield of 1.27% at current levels. While the yield may not be impressive now, what is impressive is the level which Maple Leaf Foods has been hiking that dividend.

The dividend has tripled in the past five years and should continue to grow, assuming that Maple Leaf Foods continues to perform well and capitalize on growth opportunities in the market. At current levels, Maple Leaf Food pays out just over 55% of free cash flow, leaving plenty of growth potential.

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dafxentiou

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