



High Liner Foods Inc.: Healthy Food for Your Portfolio?

Description

Food stocks really are interesting investments. Unlike most consumer products, food is a necessity that, for the most part, we don't think twice about purchasing. In some ways, food stocks are like utilities in that they are typically seen as boring investments, sacrificing growth for a stable revenue stream.

One food company that has recently caught my attention is **High Liner Foods Inc.** ([TSX:HLF](#)).

How is High Liner doing?

High Liner is set to report earnings on August 15, so until then, we can only look at the previous quarterly results, which raised a couple of concerns with investors and analysts alike.

First, High Liner's business is all about margins. In the last quarter, High Liner's gross margin dropped to 20.1% from 22.5%, and the net margin dropped from 4.6% to 3.6%.

High Liner attributed this drop to a later lent season this past spring and lower revenue thanks to two separate product recalls. While that drop may be temporary, don't expect margins to magically rise during the next quarter; High Liner's recent acquisition could weigh down results slightly until synergies are in place.

As a result of that quarterly update, High Liner's stock dropped to new lows. Year to date, the stock is down over 20%, erasing much of what was an impressive gain over the past few years.

Where is the opportunity for investment?

High Liner processes and sells frozen fish, and the company does so under a myriad of brands, many of which have a loyal following.

In terms of market share, High Liner has double the share of the frozen fish market over the closest competitor, and the company also supplies frozen fish to retail and bulk club stores under separate brands. In the U.S., High Liner is the largest value-added supplier on the market.

That commanding market position allows High Liner the flexibility to offer new products that match the changing tastes of consumers, which further sets the company apart from the competition.

In other words, High Liner has an established moat and a growing product portfolio that will not be directly challenged anytime soon.

But wait — there's more.

Another key point regarding High Liner is the dividend. High Liner pays a quarterly dividend of \$0.14 per share, which, thanks to the recent dip in the stock price, provides a very appetizing 3.62% yield, which carries a very sustainable payout rate of 45%.

High Liner also has an established record of hiking that dividend annually over the past several years, which is likely to continue.

Is High Liner a good investment?

High Liner currently trades at one of the lowest levels seen in the past year, despite having a considerable moat and growth prospects. Investors looking for stable income from a stock that is trading at a discount would do well to consider a small position in the company.

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