



Bad News Has Plagued the Seafood Market Creating a Buying Opportunity!

Description

Over the past month, shares of **High Liner Foods Inc** ([TSX:HLF](#)) have declined by close to 20%, while **Clearwater Seafoods Inc** (TSX:CLR) has declined by close to 8%. In the process, many shareholders in both companies have become very frustrated as their investments have dwindled day after day. Although the fundamentals of the frozen fish and seafood markets have remained unchanged over this period of time, the stock market (as it does sometimes) has changed sentiment about the industry.

Thawing out

What was previously holding up very well in the consumers staples category has recently fallen out of favor, and now investors are cutting ties instead of holding, and potentially doubling down. With a share price currently trading at less than \$14 per share and very consistent dividend payments, shareholders looking for a not-so-exciting income stream with the potential for capital appreciation have long been considering shares of High Liner Foods Inc. This time is no different.

The company which has delivered fairly consistent Returns On Equity (ROE) of 15% since 2014, along with paying and raising the dividend consistently for many years. At the current price, the company is paying investors a dividend yield of more than 4% while retaining close to 50% of earnings for reinvestment into the company. It is also worth noting that the total number of shares outstanding has not increased in any meaningful way since 2010.

As top line revenues continue to improve quarter over quarter, patient investors may just get the last laugh like the tortoise in the story of the tortoise and hare.

Another potential catch

Competitor Clearwater Seafoods Inc is in many respect no different. The company, which boasts a 2% dividend yield, continues to grow at a higher pace as approximately two-thirds of the company's earnings are retained for reinvestment in the company.

In the case of Cleawater Seafoods Inc, the company has experienced a much higher increase in

revenues. The company, which brought in \$388 million in fiscal 2013, made a profit of \$6.3 million for the year. Following this profitable year, revenues increased in each of the next three years, yet the company lost money in both 2014 and 2015. In 2016, things finally straightened out, and a profit of \$44 million was delivered off of revenues of \$611 million.

As revenues continue to increase both on a year-over-year and quarter-over-quarter basis, Clearwater Seafoods Inc carries a higher potential for capital appreciation than High Liner Foods Inc.

Foolish Bottom Line

Before investing in any company or any industry, investors must have proper expectations and be prepared to hold for many years. As High Liner Foods Inc has been much more consistent over the past several years, it is much easier to estimate the amount of profit going forward. With current equity of approximately \$310 million and a 15% ROE, investors can potentially project out EPS of \$1.40 over the next 12 months.

Although this is only an estimate, investors still need to consider other things such as the phase of the economic cycle, interest rates, and of course exchange rates as financial statements are sometimes reported in USD.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HLF (High Liner Foods Incorporated)

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