



## Maple Leaf Foods Inc. Is Coming Off an All-Time High: Should You Buy?

### Description

**Maple Leaf Foods Inc.** ([TSX:MFI](#)) has seen its stock rise over 22% year-to-date, and the share price has recently reached a new all-time high as well. However, the stock has been on a decline since then. I will have a closer look at the stock and the company's overall performance to determine whether or not it is a good investment at the current price.

### Recent financial performance

A good place to start assessing any stock is how the company has performed in its latest quarter. Maple Leaf Foods released its second-quarter results in July, which showed the company hitting over \$925 million in sales for the quarter for an increase of over 8% from a year ago. Maple Leaf Foods also saw its net income rise by 19% from a year ago, although the profit margin for the company has averaged just 5% over the past four quarters.

In its last fiscal year, the company did not see much better growth with revenues up just 1% from 2015. Although the company has continued to grow, its pace suggests the opportunities are saturated, as you would expect for the packaged meats company.

### Current valuation

Currently, the company's stock trades at a multiple of over 26 times its earnings, which is a high valuation but still lower than one of its peers, **Premium Brands Holdings Corp.** ([TSX:PBH](#)), which trades at a multiple of over 35. However, Premium Brands has seen much more rapid growth in the past few years with annual sales growth averaging over 20%. Shareholders are willing to pay a premium for a stock that is showing strong growth, and in the case of Maple Leaf Foods, that simply isn't the case.

When compared to its book value, Maple Leaf Foods trades at a multiple of just over two, suggesting the stock might not be significantly overvalued.

### Technical analysis

By looking at the stock's performance in the past six months, you can see that it surpassed \$35 back in June, but retreated shortly after, just like it did after reaching a new high a few weeks ago. There certainly seems to be some resistance at the \$35 price point, and the last time the shares reached that price, it declined to \$32 before rising again. Currently, it looks like the share price is stuck in a range, and it is also trading under its 20-day moving average, which it recently fell below, suggesting a further decline may be on the way.

### **Bottom line**

Maple Leaf Foods is a stock that has done very well in 2017 when you consider how poorly the TSX has been year-to-date. I would be surprised if the stock is able to climb over \$35, and I think there is a greater possibility that the share price could decline to \$33 and continue in the range that it has been in for the past several months.

Unfortunately, with a dividend yield of just over 1%, there is minimal benefit to holding the stock, unless you expect it to appreciate in value, and if you've made a good gain already, you might want to consider cashing out.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:MFI (Maple Leaf Foods Inc.)
2. TSX:PBH (Premium Brands Holdings Corporation)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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### **Date**

2025/09/02

### **Date Created**

2017/09/05

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